

not expect to be employed there for more than a few years and who were little interested in joining a union. Similarly, employees in the import and tourist industries, sectors that grew in the years after 1977, had not been successfully organized.

Trade

Sri Lanka's economy continues to be heavily dependent on foreign trade. Historically, the island has exported cash crops in order to import food to feed its population. Although the production of rice, the staple food crop, increased rapidly in the late 1970s and 1980s, in early 1988 the island remained short of self-sufficiency in food. Trade policy since independence has been dominated by the deteriorating terms of trade. Between the 1950s and the 1980s, the amount of imports that could be bought with a given amount of the traditional exports has declined. Governments responded in the 1960s and 1970s with strict controls over imports, foreign exchange, and some aspects of internal trade. When the economy was liberalized in 1977, many of these regulations were swept away. One result has been a large increase in the foreign trade deficit and the external debt.

Internal Trade

An overall measure of the size and shape of the internal market was provided by the Central Bank of Sri Lanka's breakdown of national income according to expenditures by the several sectors of the economy. In 1986 gross domestic expenditure was estimated at Rs200.3 billion. About Rs139.4 billion represented private consumption; Rs18.5 billion was for government consumption; and Rs42.3 billion went into fixed capital investment, of which almost Rs33 billion was in the state sector. The aggregate of private sector expenditures constituted just over 74 percent of total outlays.

No detailed information was available concerning consumer outlays in the late 1980s. Earlier surveys indicated that many families devoted about 50 percent of their total expenditure to food. Some government policies in the 1960s and the early 1970s kept inequalities of consumption relatively low. These measures included the subsidizing and rationing of essential goods, restrictions on imports of luxury goods, and heavy income taxes. The easing of many of these policies after the economy was liberalized in 1977 resulted in higher food prices and a flood of imported luxury items. According to the Consumer Finance and Socio-Economic Survey carried out by the Central Bank in 1978 and 1979, the poorest 10 percent of the population controlled 1.2 percent of total personal

income, while the richest 10 percent had 39 percent of personal income.

Traditionally, the state has played an important role in retail trade. The government-controlled Co-operative Wholesale Establishment, which was created during World War II to handle the import and distribution of foodstuffs, had monopolies over the sale of imported sugar, canned fish, cement, hardware, and other products at various times in the 1960s and early 1970s. The monopolies were broken up after 1977, when government policy shifted toward promoting competition. In 1986 however, there still were 8,644 cooperatives serving as retail outlets. As in the past, they relied heavily on the distribution of basic consumer items such as rice, flour, and sugar under the food stamps scheme (see Budgetary Process, Revenues, and Expenditures, this ch.). They also helped overcome shortages of essential goods in areas where security difficulties made private business unwilling to operate. In 1986 their turnover was about Rs1.1 billion.

The ten state trading corporations in existence in early 1988 were expected to be commercially competitive with the private sector. Most were organized around specific commodities, such as building materials, fertilizer, paddy, textiles, gems, and drugs. Their total turnover was around Rs5.6 billion in 1986, down from Rs6.3 billion in 1985.

Importers and wholesalers had their own warehouses, most of them in Colombo, but some in the provinces. For the most part, wholesalers did not actively engage in trying to sell their wares, but left it to retailers to take the initiative. Markup margins varied widely. Inasmuch as traders were not generally in a position to obtain credit from institutional sources, sales tended to be on a cash basis, although the larger wholesalers did extend limited amounts of credit.

External Trade

Sri Lanka's balance of trade has been in a chronic state of deficit since 1957; the only year between 1957 and 1987 when there was a surplus was 1977 (see table 10, Appendix A). Although the ability to pay for imports has generally declined because of the long-term relative fall in the prices of tea, rubber, and coconut, the demand for imports has been fueled by population growth and rising expectations. The resulting shortage of foreign exchange has been the greatest problem in the economy during the period since independence. For most of the 1960s and 1970s, the government imposed strict import and exchange controls in an attempt to control these deficits. After 1977 the deficits were allowed to grow and

were financed by increased foreign support and heavy borrowing.

Few nations have experienced so drastic and long-term a deterioration in terms of trade as did Sri Lanka from the mid-1950s to the mid-1970s. As a result, the volume of imports fell, at first through severe restriction of luxury items, such as automobiles and spirits. But the structure of the economy limited the amount by which imports could be cut. Levels of food, medicines, spare parts, and fertilizer could not easily be reduced without damaging the economy or the population's welfare. The gap was met by borrowing, and debt service obligations further reduced import capacity. Although the volume of exports was nearly 18 percent more in 1975 than in 1960, the proceeds from these exports had a purchasing power worth only 37 percent of the smaller volume of exports in 1960.

Although the general trend in the terms of trade was against Sri Lanka between 1955 and 1988, there were occasional exceptions. The terms of trade showed a 35 percent improvement in 1976 over 1975, and 31 percent in 1977 over 1976, when tea prices experienced an unprecedented rise of 80 percent. From 1979 to 1982, however, the terms of trade again turned sharply against Sri Lanka, reaching record lows in 1981 and 1982. Between 1983 and 1987, the terms of trade hovered near the level for 1981, with the exception of 1984, when an increase in the price of tea produced a temporarily more favorable position.

After the liberalization of the economy in 1977, the trade deficit widened enormously as the import bill soared under the influence of the government's development program. Exports, however, remained largely static. The trade deficit thus expanded year by year and reached nearly Rs20.5 billion in 1982, equal to 22.4 percent of GDP. In 1983, as a result of good agricultural production, the deficit was held to the same level as in 1982. The following year, 1984, the deficit was cut to Rs10.2 billion as a result of exceptionally high tea prices. This gain was not sustained in 1985, when the trade deficit rose to Rs17.8 billion. In 1986, despite a static level of imports attributable primarily to the decline of world oil prices, the trade deficit again widened, to around Rs20.5 billion. Sharply reduced earnings from tea were only partly offset by improved exports of manufactured goods, especially textiles. Preliminary figures for 1987 showed a record trade deficit.

Sri Lanka's major export earnings were derived from a small number of commodities (see table 5, Appendix A). In 1986 textiles overtook tea for the first time as the leading export. Textile exports were worth around Rs9.6 billion, compared to under Rs9.3



*A dam of the Accelerated Mahaweli Program
Courtesy Embassy of Sri Lanka, Washington*

billion for tea. Rubber exports, which have declined since the 1970s, were worth Rs2.6 billion in 1986. Coconut products accounted for Rs2.4 billion, fuel oil products for Rs2.3 billion, and gems for over Rs1.6 billion. Other exports, including agricultural produce, graphite, and manufactured goods, were valued at around Rs7.8 billion. This breakdown reflects a substantial diversification of exports away from tea and rubber in the 1970s and 1980s, but in early 1988 the fluctuations in the world prices of these commodities continued to be an important factor not only in the island's export earnings but in the health of the economy as a whole.

Oil accounted for about 25 percent of the value of imports in the early and mid-1980s, but dropped to 11.5 percent in 1986 when its price fell sharply and additional hydroelectric power became available from the Accelerated Mahaweli project. Some of the output of Sri Lanka's single oil refinery was then reexported. Other significant imports included machinery and equipment, chemicals, motor vehicles, clothing, paper, and sugar. Rice imports declined in the late 1970s and early 1980s; by 1985 Sri Lanka was close to self-sufficiency in years with good weather. In 1986 rice accounted for only 1.9 percent of imports.

The United States was the most important foreign market, accounting in 1986 for approximately 26 percent of the island's exports, mostly in the form of textiles and tea. The Federal Republic

of Germany (West Germany), Britain, and Japan also were important markets in the 1980s, although no single country other than the United States took more than 8 percent of exports in 1986. The leading source of imports was Japan, which accounted for over 17 percent in 1986. The United Arab Emirates, Saudi Arabia, the United States, Britain, China, and West Germany also were important sources of imports. In the 1960s and 1970s, about 50 percent of rubber exports went to China in return for rice on favorable terms, but after around 1980 Sri Lanka no longer needed to import large quantities of rice. Higher oil prices led to an increasing proportion of imports coming from the Middle East; this was paid for in part with increased exports of tea to this region.

Although the island's balance of payments position was closely related to the balance of trade, foreign aid and remittances from Sri Lankans employed overseas made the balance of payments more favorable than the balance of trade. As a result, Sri Lanka occasionally ran a small balance of payments surplus in the 1960s and 1970s, and again in 1984, when the economy benefited from high tea prices. In 1986 Sri Lanka had a balance of payments deficit of US\$406 million, down from US\$556 million in 1985. The main factor was the trade deficit of US\$750.2 million. Private transfers, mostly remittances, amounted to US\$294.5 million, about half of which were from the Middle East. Official transfers, including aid from governments and international organizations, accounted for US\$181.2 million. Sri Lanka's services account ran a deficit. Exports of services, including earnings from tourism, were US\$378.1 million, while imports in this sector, including interest payments on foreign loans, amounted to US\$509.6 million.

Foreign Exchange System

In 1948 Sri Lanka had an essentially open-door policy on imports and an optimistic outlook for its foreign trade relations, but deterioration in the value of the country's export earnings led in 1953 to the Exchange Control Act, which placed some restrictions on the movement of foreign currency. In 1961, in response to balance of payments problems, a rigorous system of exchange controls was introduced. Licenses that acted as exchange permits were issued by the controller of imports and exports. All imports and exports were subject to these regulations, and foreign exchange entering the country, whether by way of exports, invisibles, or the movements of capital, had to be surrendered to the exchange control authorities. Only imports of goods classified as essential were permitted. The list of such items became smaller during the 1960s because of the increasing scarcity of foreign exchange and the

availability of new items through local production. In the early 1970s, only imports of the barest minimum of foodstuffs, drugs, textiles, raw materials, and capital goods were allowed.

From 1970 to 1977, Sri Lanka had a dual exchange rate system in addition to exchange and import controls. Under the system, imports of indispensable items—such as food and drugs—were allowed at the official rate, while all other imports were subject to a higher rate. Foreign exchange earned from tea, rubber, and coconut was converted into rupees at the official exchange rate, while earnings from all other exports were given the benefit of the higher rate.

In November 1977, the exchange rate system was liberalized as part of the new government's economic reforms. The dual rate system was abolished, and the rupee was set free to float in response to international developments and the balance of payments position. The immediate effect of this measure was a devaluation of around 50 percent; after this time, the rupee continued to fall gradually against the major international currencies. In December 1987, US\$1 equalled Rs32.32 compared with Rs19.3 six years earlier.

External Debt

The balance of payments deficits after the late 1950s led to a large foreign debt, most of which was accumulated after 1978. Rapid increases in the external debt, by comparison with the domestic debt, presented a double burden. Additions to the domestic debt involved only the problem of finding, through taxation, savings, or other means, the necessary additional local currency to meet the additional charges on the interest and amortization payments on the new debt. Increases in the foreign debt, however, required not only the same local currency to meet the enlarged budget item but also additional foreign currencies with which to transfer abroad the increased interest and amortization payments. This situation forced either a reduction in imports or still further borrowing abroad.

Governments addressed the balance of payments deficits in the 1960s by imposing direct controls that restricted imports. Even so they were unable to avoid increases in the foreign debt, which rose from around US\$62 million in 1960 to US\$231 million in 1969 and US\$380 million in 1974. After the 1977 liberalization of the economy, import restrictions were loosened and foreign credit became much more readily available. The total external debt, including short-term loans and trade credits, was estimated to be just under US\$4 billion at the end of 1986. Medium-and long-term debt of the government represented about 75 percent of this amount.

Another 7 percent was owed by government corporations. Debt service payments on all foreign loans were US\$410 million in 1986, up from US\$342 million in 1985. Total debt service payments as a ratio of export earnings from goods and services increased from 21 percent in 1985 to 26.7 percent in 1986.

Finance

After the early years of independence, the government consistently ran a budgetary deficit, which in the 1980s amounted to 15 percent of GDP. Foreign aid, which increased substantially after 1977, financed over 50 percent of the deficit in the 1980s and was essential for the health of the economy. Historically, a relatively high proportion of government expenditure was on social welfare programs, including health, education, and subsidized food, but after 1977 the importance of these programs, although still substantial by regional standards, declined. Banking and credit were dominated by government-controlled institutions, but the importance of the private sector in financial services was increasing.

Budgetary Process, Revenues, and Expenditures

The budget is announced annually in the budgetary speech of the finance minister, which is normally made in November. This speech reviews the economic situation of the current fiscal year, which corresponds to the calendar year, previews the government's expenditure program for the next year, and sets forth any proposed changes in taxation. Sometimes adverse public reaction, or pressure from members of parliament within the ruling party, forces changes in the measures announced in the finance minister's speech, but once formally introduced in parliament, the budget proposals are normally passed intact. All money bills must be introduced by a minister acting on behalf of the government. Opposition members may propose amendments to reduce expenditure under a specific head, but the success of such a motion would be a major defeat for the government and would probably cause its resignation. No amendments concerning taxes or to increase expenditure are allowed. Supplementary provisions are often presented by the government during the year. The government's finances are monitored by an auditor-general appointed by the president.

The colonial administration was heavily dependent on indirect taxes, especially import and export duties. Some changes in the structure of the revenue system were set in motion by the report of the Taxation Inquiry Commission, which was published in 1968. At that time, the tax system proper (exclusive of such items as fees, charges, and sales) of the central government consisted of various

separate revenue sources: personal income taxes, corporate income taxes, wealth (luxury) tax, business turnover tax, import and export duties, resale of automobiles tax, and the levy on the transfer of property to nonnationals. The system was characterized by high taxes on major exports, by a miscellaneous collection of import taxes, and by high rates of income taxation. The income tax on corporations was 50 percent, and the top marginal rate on individuals was 80 percent, with rapid rates of progression. The wealth tax on individuals was also high.

The Taxation Inquiry Commission concluded that, for steady revenue flow, dependence should be placed on a broad-based set of consumption taxes, with differential rates to minimize the regressive tendency inherent in the consumption tax. This was recommended on a strictly pragmatic basis because both incomes and exports were already being taxed almost to their limit. There was thus no alternative to more and higher import duties and excises to secure the necessary additional revenue. Because the commission believed that taxable imports would in the future be replaced by domestically produced substitutes, it argued that consumption taxes would increasingly have to bear the brunt of the search for new revenue. The commission also advised the government to raise the exemptions, lower the top rates, and ease the progression rate on income, wealth, and gift taxes; to raise the excise taxes on tobacco, arrack, beer, and domestically consumed tea; and to increase the coverage and reduce the exemptions of the turnover tax. Most of these recommendations were implemented soon after the publication of this report.

In 1975 sales and turnover taxes raised almost 30 percent of the government's revenue, and income taxes and tariffs each raised about 15 percent. A little over a decade later, in 1986, the importance of the sales taxes and tariffs had increased, but income taxes raised a smaller proportion of the revenue than earlier (see table 11, Appendix A). In 1986 the general sales and turnover tax raised 15.4 percent of revenue, and selective sales taxes, which were primarily imposed on tobacco and liquor, raised 10.7 percent. Import duties accounted for 24.1 percent and export duties for only 3.8 percent. Income taxes raised 11.5 percent of state funds in 1986, over two-thirds of which came from corporate sources. Studies carried out in the 1970s, both before and after the liberalization of the economy, indicated that the tax system as a whole operated in a progressive manner. Almost 25 percent of the government's revenue in 1986 came from nontax sources, mainly interest, profits, dividends, and other receipts from government-owned enterprises.

In 1988 the maximum rate of personal income tax was 40 percent and the ceiling on both income and wealth tax was 50 percent of a person's income. The 1988 budget reflected a cut in the highest level of import duty from 100 to 60 percent. A large proportion of revenue from business came from the established forms of economic activity because new industries, such as tourism and the free trade zone factories, had preferential tax treatment.

No postindependence government has attempted to change, as a matter of policy, the proportion of the nation's GDP that it takes in revenue. This proportion generally hovered at just over 20 percent between 1950 and 1983. Annual variations derived more from external factors than from changes in government policy. Revenue from export duties on tea, rubber, and coconut, for instance, varies according to the price of these commodities on the international market. In 1984 when the price of tea rose temporarily, the government increased the export duty in order to gain a share of the windfall profits, and total revenue rose to 24.5 percent of GDP. In 1987 government revenue was only slightly below this level because of tax increases brought about by increased fiscal pressures, largely the product of higher defense allocations and the heavy foreign debt.

Government expenditure has consistently exceeded revenue, often by a considerable margin. From 1960 to 1977, expenditure was about 28 percent of GDP. After 1977 it increased, mainly as a result of investment in infrastructure. Between 1978 and 1987, the government spent around 38 percent of GDP. Of the nearly Rs70 billion spent in 1986, about half was classified as recurrent expenditure, and half as capital expenditure.

Governments have used expenditure as a tool of social policy. In comparison with other Third World countries, Sri Lanka has a long tradition of public spending on health, education, and other social services. These programs have contributed at least in part to the nation's very high levels of literacy and life expectancy relative to its per capita income (see *Social Services*, ch. 2). In the period between 1960 and 1977, about 9.5 percent of GDP, or one-third of the government's budget, was devoted to such programs.

After the liberalization of the economy in 1977, there were reductions in some social programs. In June 1978 the long-established system of rice rationing, which provided free and subsidized rice to nearly the entire population, was replaced by a food stamp program that covered only about 50 percent of the population. The value of the stamps was not indexed in order to keep pace with inflation, and as a result the program's cost fell from 14 percent of government expenditure in 1979 to 7 percent in 1981 and 2.6



*Offshore fishermen on their perches near Galle
Courtesy Embassy of Sri Lanka, Washington*

percent in 1986. Although there was a drop in the standard of living for the very poor, in early 1988 the food stamp program continued to provide a safety net more effective than programs existing in other parts of South Asia. Overall, social services, education, and welfare accounted for just under 15 percent of government spending in 1986.

Foreign Aid

Foreign aid was essential in preventing acute foreign exchange shortages after 1977. It accounted for around 9 percent of GDP from 1978 to 1986. Aid has been of two types: outright grants and loans on concessionary terms. The annual level of grants grew from US\$21.9 million in 1978 to US\$178 million in 1986. Most of this money was tied to specific projects, such as the Accelerated Mahaweli Program. Both grant aid and concessionary loans come from Western Europe, the United States, Japan, and international organizations. Project loans amounted to US\$351.2 million in 1986, and nonproject loans were US\$77.1 million.

Most foreign aid to Sri Lanka was pledged at the meetings of the Aid Sri Lanka Consortium, which was organized by the World Bank on behalf of the major donor countries. The Sri Lankan government sent the World Bank an annual request outlining its needs. The member donors then met to consider these requests and coordinate their aid policies. The World Bank and most aid donors strongly supported the liberalization of the economy during the decade after 1977; indeed, at times they have urged the government to carry its free market policies further.

A special meeting of the consortium in December 1987 pledged US\$493 million above its normal aid commitments toward a three-year reconstruction program. Much of this money was targeted for specific projects in Northern and Eastern provinces. Observers believed that if there were a peaceful solution to the nation's political problems, total foreign aid would reach US\$2.7 billion in the years 1988 to 1990.

Fiscal Administration

In the 1960-77 period, budget deficits averaged about 8 percent of GDP. After 1977 increases in expenditures were not matched by corresponding increases in revenues, and the result was a rapid increase in the public debt. The budget deficit averaged 15 percent of GDP from 1978 to 1986. It temporarily dropped to 10.3 percent of GDP in 1984 when high tea prices caused increased revenue, but in both 1985 and 1986 it was close to 16 percent. The 1986 deficit of Rs28.1 billion was financed by Rs3.8 billion in foreign grants, Rs12.1 billion in foreign loans, and Rs11.5 billion domestic borrowing from banking and other sources. Foreign loans and grants financed about 50 percent of the budget deficits in the 1980s.

The public debt was about Rs150 billion at the end of 1986, and the total interest payments by the government in 1986 were Rs9.3

billion, or 5.2 percent of GDP. About 45 percent of the public debt was owed to domestic sources. Medium- and long-term debts accounted for 56 percent of the domestic debt, and short-term loans made up the balance. In 1986 rupee securities sold to the pension funds and the National Savings Bank accounts were the principal instrument of the domestic medium- and long-term debt. Domestic short-term financing was raised primarily through treasury bills. The majority of the foreign debt was negotiated at concessional terms (see External Debt, this ch.). In 1986 a total of Rs12 billion in new foreign loans was contracted, of which Rs9.9 billion were for specific projects. Repayments of earlier loans amounted to just over Rs3 billion. The accumulated foreign debt tended to increase annually in rupee terms in the 1980s because of the steady depreciation of the rupee in relation to the currencies of the lending nations.

Monetary Process

The Central Bank of Sri Lanka, which started operations in 1950, stood at the apex of the country's financial framework in 1988. The bank administered the exchange control system, implemented monetary policy, and regulated the money supply through such means as open market transactions, interest rate changes, and changes in the minimum reserve requirements of the commercial banks.

The private sector relied almost entirely on the banks for credit. In early 1988, the commercial banking system consisted of twenty-six banks: six Sri Lankan banks and twenty-two foreign banks. Two of the Sri Lankan banks—the Bank of Ceylon and the People's Bank—were state banks. These institutions dominated commercial banking, holding nearly 80 percent of total deposits. The profitability of these banks, like that of many other state enterprises, had been hindered by politicians using them to secure employment for their supporters. Recovering loans due from public corporations has also been a problem for these banks.

The four private Sri Lankan banks in 1988 were the Hatton National Bank, the Commercial Bank of Ceylon, the Investment and Credit Bank, and the Agro-Commercial Bank. The last two of these banks began operations in 1987, the first local banks founded after the liberalization of the economy in 1977.

Until 1979 the presence of foreign banks consisted of three British banks (Grindlays Bank, Chartered Bank, and the Bank of Hong Kong and Shanghai), three Indian banks (State Bank of India, Indian Bank, and Indian Overseas Bank), and one Pakistani bank (Habib Bank). In 1979, for the first time in many years, foreign banks were allowed to open branches, and many American and

European institutions took advantage of this policy. Newcomers included the Bank of Credit and Commerce International, Banque Indosuez, Citibank, American Express, Overseas Trust Bank, Bank of Oman, Bank of America, European Asian Bank, Algemene Bank Nederland, Chase Manhattan, Amsterdam Rotterdam Bank, Bank of the Middle East, and Bankers' Trust Company. The initial capital requirement, which had been set at Rs10 million in 1979, was increased in 1982 to Rs50 million. The Bank of America ended its activities in Sri Lanka at the end of 1986.

Although the arrival of foreign banks increased the level of competition and led to new facilities, the overall impact on the credit supply remained marginal in early 1988. Credit to the rural sector and small firms was still tight and was channeled mainly by the two state banks.

Interest rate policy in the 1980s encouraged high rates in order to combat inflation and encourage a higher flow of savings to bridge the gap between new investment and total domestic savings. At the end of 1986, treasury bills paid 11 percent and interbank loans cost between 12 percent and 12.75 percent. Loans and bank overdrafts were charged between 12 and 30 percent.

The Central Bank announced a deposit insurance program for small depositors in June 1987, but none of the commercial banks had joined at the end of the year. Only deposits of private individuals up to a value of Rs100,000 could be insured. Government, interbank, and local government deposits were not eligible. Banks that joined would pay four Sri Lankan cents for every Rs100 to the Central Bank. The Central Bank hopes that the confidence created by the program will offset the extra costs to the banks.

In late 1987, the Central Bank offered the commercial banks a number of incentives to join the insurance scheme, including lowering their reserve requirement to a flat rate of 10 percent. In 1987 the ratio was 18 percent on checking account deposits, 14 percent on fixed-term deposits, and 10 percent on other deposits.

The stock market, which was established in December 1985, was a minor source of capital. At the end of 1986, it quoted 173 companies having a total market capitalization of around Rs14 billion. Share transactions averaged Rs2.5 million a week. In 1987 legislation established a securities council to regulate the stock exchange. The proposed council was to be empowered to grant licenses to stockbrokers, set up a fund to compensate investors who suffered losses resulting from the failure of a licensed dealer to meet contractual obligations, and suspend or cancel the trading of securities for the protection of investors. The intent of this legislation was



*Coastal fishing fleet north of Colombo
Courtesy Embassy of Sri Lanka, Washington*

to create confidence in the stock market in the hope that it would attract more investors.

Tourism

In 1966 the government established the Ceylon Tourist Board, vesting in it the responsibility for invigorating the tourist industry. The board, operating as an autonomous corporation, was charged with promotional as well as organizational responsibilities. Most provisions for tourists were in the private sector, but the board had facilities in areas where private ones were considered inadequate.

Tourism expanded rapidly after 1966. The main attractions are the beach resorts of the southwestern coastal region, but many tourists also visit the ancient cities of the dry zone, the historic city of Kandy, and the mountainous region dominated by tea plantations. Between 1976 and 1982, the number of tourist arrivals increased at an annual rate of almost 24 percent, reaching a peak of 407,230 before declining to 337,342 arrivals in 1983 as a result of the Tamil insurgency. More than half the arrivals were from Western Europe.

Serious civil disturbances starting in July 1983 and the subsequent violence badly affected tourism. Total arrivals were 230,106 in 1986, down 43 percent from 1982. To ease the plight of the

industry, the government provided various concessions to hotels, such as the rescheduling of loans and the reduction of the turnover tax from 10 percent to 5 percent. The Ceylon Tourist Board also undertook a crash promotion program in an attempt to restore the island's image in world tourist markets. Tourist arrivals in the first six months of 1987, however, showed a decline of 23 percent compared with the same period the previous year. In early 1988, the outlook was for further contraction.

In 1988 it remained unclear whether the policies of economic liberalization Sri Lanka has pursued since 1977 would succeed in their principal goals of employment, wealth creation, and economic diversification. Although increased rice production, the growth of textile manufacturing, and an improved infrastructure were successes that could be attributed to the post-1977 policies, these gains came at the cost of a mounting foreign and domestic debt and declining living standards for the poor. In the mid-1980s, the declining security situation began to have an increasingly negative impact on the economy, and in early 1988 economic prospects for the 1990s appeared to be linked at least in part to a resolution of the ethnic conflict.

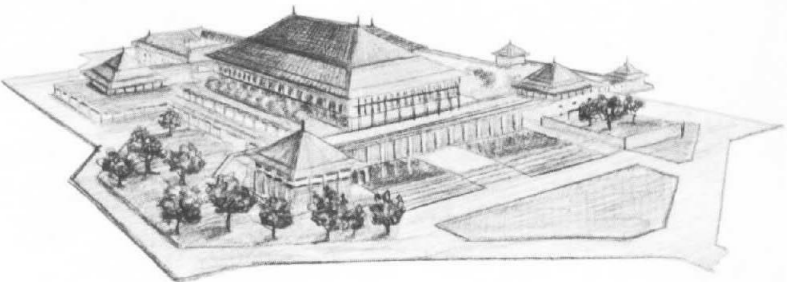
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The most current and easily accessible sources on the Sri Lankan economy are two publications of the Economist Intelligence Unit in London: *Country Profile: Sri Lanka*, an annual survey of the economy; and *Country Report: Sri Lanka*, a quarterly publication that includes the latest economic information. For agriculture, the annual *South Asia: Situation and Outlook Report*, published by the Economic Research Service of the U. S. Department of Agriculture, is also useful and makes use of detailed information found in two annual publications of the Central Bank of Sri Lanka, the *Annual Report of the Central Bank of Sri Lanka* and the *Review of the Economy*.

No book-length general survey of the Sri Lankan economy appeared in the decade after the change of economic direction in 1977, and the earlier works, although valuable for historical background, are out of date. The various essays in *Sri Lanka: A Survey* edited by K. M. de Silva portray the course of the economy from independence to the mid-1970s. A critical analysis of the post-1977 economic policies is Ronald Herring's "Economic Liberalization Policies in Sri Lanka: International Pressures, Constraints and Supports." A more favorable evaluation of these policies is by Surjit S. Bhalla and Paul Glewwe, "Growth and Equity in Developing Countries: A Reinterpretation of the Sri Lankan Experience."

This reference should be read in conjunction with the rebuttals by Paul Isenman and Graham Pyatt in *World Bank Economic Review*. (For further information and complete citations, see Bibliography).

Chapter 4. Government and Politics



Parliament building at Sri Jayewardenepura, in Kotte

IN THE YEARS following Sri Lanka's attainment of independence on February 4, 1948, the country's political system appeared to be the very model of a parliamentary democracy. The country stood virtually alone among its South and Southeast Asian neighbors in possessing a viable two-party system in which the conservative United National Party (UNP) and the left-of-center Sri Lanka Freedom Party (SLFP) alternated with each other in power after fairly contested elections. Respect for legal institutions and the independence of the judiciary were well established. Sri Lanka's military, never sizable, refrained from intervening in politics, and the country's leadership pursued generally moderate policies in its relations with other states. Although per capita income was low compared to that of India and other South Asian countries, over the decades successive governments invested heavily in health, educational, and other social service facilities. As a result, standards of health and literacy were high and seemed to provide a firm foundation for democracy and political stability.

Sri Lanka was, however, heir to cultural and historical traditions at variance with its constitutionally defined parliamentary political institutions. Family and caste played major roles in determining the leadership of the major parties and the ebb and flow of political patronage. But ethnicity and religion were the most important and politically relevant determinants in this traditionally diverse society. After 1948 and especially after passage of the Official Language Act, popularly known as the "Sinhala Only" bill, in 1956, the Sri Lankan Tamil community, which was largely Hindu, came to feel that its political interests were being ignored and belittled by the mainstream political parties led by Buddhist Sinhalese. The feeling of grievance festered during the 1970s in the wave of preferential policies that favored Sinhalese applicants for university positions and government jobs. Abandonment of the idea of a secular state—the 1972 constitution guaranteed "the foremost place" for the Buddhist religion of the Sinhalese—further aroused Tamil alienation. Conversely, the Sinhalese, who regarded the Tamils as an economically and educationally privileged group, were determined to secure what they considered "majority rights," including freedom from alleged economic exploitation by Tamils. They also feared that the Sri Lankan Tamils could be a "fifth column" for the much larger Tamil population in neighboring India. From the Buddhist Sinhalese perspective, it was they, living

in a "sea" of Hindu Tamils, who were the true minority, not the Sri Lankan Tamils.

In a sense, the effectiveness of democratic institutions in conveying the viewpoints of middle class and working-class Sinhalese, electorally a majority of voters, promoted ethnic polarization. Politicians such as S.W.R.D. and Sirimavo Bandaranaike effectively used appeals to Sinhalese chauvinism to unseat their UNP opponents. Neither the UNP nor the SLFP parties dared make concessions to the Tamils for fear of alienating the majority Sinhalese. Thus the UNP government of Junius Richard (J.R.) Jayewardene, which came to power in July 1977, was as determined as the earlier SLFP governments not to yield to Tamil demands for language parity and regional autonomy. By the early 1980s, armed groups of young Tamil extremists, committed to establishing an independent Tamil Eelam, or state, were well established in Tamil-majority areas in the northern and eastern parts of the country or operating out of bases in India's Tamil Nadu State.

In July 1977, Jayewardene won an unprecedented majority in the national legislature, gaining 140 out of 168 seats. In 1978 a new Constitution, the third in Sri Lanka's postindependence history, was promulgated providing for a strong presidency. Jayewardene became the first chief executive under the new system. Some observers interpreted controversial amendments to the Constitution, such as the extension of the life of Parliament for another six years, passed in December 1982, as an illegitimate manipulation of the legal political process designed to give the UNP a virtually uncontested monopoly of political power. In terms of the ethnic crisis, an August 1983 amendment outlawing the advocacy of separatism, which resulted in the expulsion of members of the Tamil United Liberation Front (TULF) from Parliament, was most fateful. Against a background of escalating communal violence, it deprived Sri Lankan Tamils of political representation.

July 1983 was a turning point in the worsening ethnic crisis. Anti-Tamil riots in Colombo and other cities, prompted by the killing of thirteen Sinhalese soldiers by Tamil Tiger guerrillas in the north, resulted in hundreds and perhaps as many as 2,000 deaths. The government was unprepared for the scale of violence and faced accusations of sublime unconcern for the Tamils' welfare, while foreign observers told of the active connivance of government figures in mob violence. The inability or unwillingness of President Jayewardene and the UNP to forge a workable settlement of ethnic issues brought India, which had immense interests of its own in the matter, directly into the crisis. According to the Indian press, under the government of Prime Minister Indira Gandhi India unofficially

permitted the establishment of training camps for the Sri Lankan Tamil insurgents in the state of Tamil Nadu. With the assumption of power by Gandhi's son and successor, Rajiv Gandhi, New Delhi adopted a more even-handed approach and sought to mediate the escalating crisis in Sri Lanka by bringing government and Tamil insurgent negotiators together for talks. Eventually, the New Delhi government went further and came down squarely on the side of Colombo with the signing of the Indo-Sri Lankan Accord of July 29, 1987. The pact committed New Delhi to the deployment of a peacekeeping force on the island, as asked by the Sri Lankan government, and made the Indian government the principal guarantor of a solution to the ethnic crisis.

The accord was designed to meet Sri Lankan Tamil demands for self-determination through the merging of the Northern and Eastern provinces and the devolution of substantial executive, legislative, and judicial powers. Tamil was made an official language, on a par with Sinhala. A cease-fire was arranged, and the Liberation Tigers of Tamil Eelam (LTTE) and other guerrilla groups surrendered some but not all of their arms. Many doubted that the accord, which the guerrillas had not played a role in formulating and the LTTE opposed, would bring lasting peace. By mid-1988, the Indian Army, in a series of hard-fought engagements that had caused it several hundred casualties, generally cleared the Jaffna Peninsula in Northern Province of Tamil guerrillas. The Indian Peacekeeping Force established a semipermanent garrison, and a measure of tranquility returned to the area. In Eastern Province, the Indian Peacekeeping Force had less success in suppressing the insurgents and the situation remained precarious. Bands of Tamil guerrillas remained at large, surfacing apparently at will to initiate violent incidents that led to an unremitting loss of life among innocent civilians, Sinhalese and Tamil, as well as among military personnel of both the Sri Lankan and Indian armed forces. In the predominantly Sinhalese, southern fringe of the island, the Jayewardene government faced escalating violence at the hands of Sinhalese militants who opposed the Indo-Sri Lankan Accord as a sellout to the Tamil extremists.

Politics and Society

Race, Religion, and Politics

Like other nations in the South Asia region, Sri Lanka has a diverse population. Various communities profess four of the world's major religions: Buddhism, Hinduism, Islam, and Christianity. The major ethnic groups include not only the Sinhalese and the

Sri Lankan Tamils, who compose 74 and 12.6 percent of the population, respectively, but also Indian Tamils (5.5 percent of the population) who view themselves as separate from the Sri Lankan Tamils, as well as "Moors" or Muslims (7.1 percent), "Burghers" and other people of mixed European and Sri Lankan descent (0.4 percent), Malays (0.4 percent), and tiny percentages of others including the aboriginal Veddahs, who are considered to be the island's original inhabitants (see *People*, ch. 2).

The society also possesses a caste system similar to that of India's. Caste in Sri Lanka is politically important for two reasons. First, members of the national political elite tend to be members of the higher status castes. Since independence the overwhelming majority of the prime ministers and the one president have been members of the Sinhalese Goyigama (cultivator) caste. Also, voters tend to support people of their own caste, though caste identification rarely becomes a campaign issue because electoral districts tend to be homogeneous in terms of caste and the major parties generally put up candidates of that caste.

Among Sinhalese, there is also a historically significant distinction between people who live in the coastal and lowland areas and those who live in the mountainous central part of the island, the area that constituted the Kingdom of Kandy before its conquest by the British in the early nineteenth century. During the British colonial period and to a lesser extent in independent Sri Lanka, the two groups, which possess somewhat different cultures and ways of life, frequently perceived their interests to be divergent. During the 1920s, for example, the Kandyan National Assembly advocated a federal state in which the Kandyan community would be guaranteed regional autonomy (see *European Encroachment and Dominance, 1500-1948*, ch. 1).

Apart from religion, ethnicity, and caste, there are social differences that emerged as a result of British colonialism. Despite a history of popular support for Marxist parties, especially the Trotskyite Ceylon Equal Society Party (Lanka Sama Samaja Party—LSSP), economically based classes in the European sense are poorly developed in Sri Lanka. Nevertheless, well-defined elite groups, including families with planter, merchant, and professional backgrounds, continued to be important in the late 1980s despite the redistributive policies of recent governments. Marks of their special status included not only wealth but education in the island's most prestigious schools or overseas, fluency in English, and a higher degree of Westernization than among other Sri Lankans. In a 1985 survey of government party parliamentarians since 1970, political scientist Robert Oberst discovered not only that there was a

disproportionate number of graduates of a handful of elite schools among UNP and SLFP legislators, but also that elite secondary school graduates were more likely to assume ministerial posts and play a central role in the passage of bills than nonelite school graduates. Nonelite graduates tended to be backbenchers with limited influence.

In a society as diverse as Sri Lanka's, social divisions have had a direct and weighty impact on politics. In the late 1980s, the ethnically, linguistically, and religiously based antagonism of the Sinhalese and Sri Lankan Tamils overshadowed all other social divisions: the civil war that resulted, especially since mid-1983, seemed to bode a permanent division of the country. Yet in the routine operation of day-to-day politics, allegiances based on family, caste, or region also continued to be of major importance.

As in India, matters of religion, ethnicity, region, and language have become public rather than private issues. Persons have typically viewed personal advancement not only in terms of individual initiative but also in terms of the fortunes of their ethnic, caste, or religious community. In India, however, there are so many different groups, spread out over the country like a vast mosaic, that no single group has been strong enough to seriously destabilize the national-level political system. Dissident movements, such as the Sikh militants in the northwestern Indian state of Punjab have tended to be limited to a single region. India's ruling party, Congress (I), preserved national unity by forming electoral coalitions with disparate groups such as high-caste Hindus, Muslims, and untouchables and balancing them off against other groups loyal to opposition parties.

In Sri Lanka, however, both the nature of diversity and the attitude of the government have been different. Within the island's much smaller geographical area, politics have become polarized because the politically prominent groups are few in number and clearly defined in terms of language, custom, religion, and geographical region. Successive governments moreover, have never attempted to adopt an impartial role in relation to ethnic rivalries.

Concrete economic and social equity-issues have played a major role in the ethnic antagonisms of Sinhalese and the Sri Lankan Tamils since independence. Ethnic rivalry, however, draws upon older and deeper roots. Each community views itself as possessing a unique and superior culture, based on religion, language, and race. The integrity of this culture is perceived to be threatened by the encroachments of the other group. Both Sinhalese and Tamils, occupying relatively well-defined geographical areas (the Sri Lankan Tamils in the Northern Province and parts of the Eastern Province,

but with vulnerable enclaves in large cities; and the Sinhalese in the central and southern parts of the island), regard themselves as besieged minorities. The Sinhalese perceive themselves as the only group of "Aryans" and Buddhists in an overwhelmingly Dravidian and Hindu region (including the populous state of Tamil Nadu and other parts of southern India), while the Tamils see themselves as an endangered minority on the island itself. During the 1980s, this state of mutual paranoia, sharpened the ethnic boundaries of both groups and intensified economic and social conflicts.

The Sinhalese: Racial Uniqueness and Politicized Buddhism

Many Sinhalese view themselves as a "chosen people." The *Mahavamsa*, an epic piece of "mythohistory" composed by Buddhist monks around the fifth century A.D., traces the origins of the Sinhalese to the regions of northern and eastern India inhabited in ancient times by Aryan peoples. Evidence to back this claim includes not only their language, which is related to the languages of northern India including Sanskrit, but the supposedly "fairer" complexions of the Sinhalese compared to their Dravidian neighbors. The *Mahavamsa* depicts the history of Sri Lanka as a bitter struggle between the Sinhalese and darker-skinned Dravidian intruders from the mainland (see *Origins*, ch. 1). In the eyes of Sinhalese chauvinists, this struggle for survival continues to the present day.

Religion has defined Sinhalese identity over the centuries far more than race. Buddhism was brought to Sri Lanka around the third century B.C. by missionaries sent by Indian emperor Asoka and was fervently adopted by the Sinhalese king, Devanampiya Tissa (250-c.210 B.C.). The Theravada school of Buddhism was established after a great council of monks and scholars was held on Sri Lanka in 88-77 B.C. to codify the Pali scriptures. The faith was later transmitted by Sri Lankan monks to Southeast Asian countries such as Burma, Thailand, and Cambodia. Sinhalese Buddhists regard Theravada (or Hinayana) Buddhism as the purest form of their religion, unencumbered by the superstitions and false beliefs that allegedly contaminate the Mahayana sects of Buddhism found in East Asia (see *Religion*, ch. 2).

Anthropologist S. J. Tambiah, himself a Sri Lankan Tamil whose family includes both Hindus and converts to Christianity, argues that in both traditional and contemporary Sinhalese Buddhism the religion's original message of universalism, compassion, and non-violence was eclipsed by a narrower appeal to nationalism and race: "the Sinhalese chronicles. . . in postulating the unity of nation and religion constitute a profound transformation of the Asokan message

of dharma (rule by righteousness and nonviolence) in a multireligious society of Buddhists, Jains, adherents of Brahmanical values, and others." This was clearly evident, he argues, in the *Mahavamsa*, which describes King Dutthagamani's heroic defense of Buddhism against invaders from southern India in the second century B.C. as a holy war. Tambiah, a specialist in Southeast Asian Buddhism, asserts that Buddhism in contemporary Sri Lanka has lost its ethical and philosophical bearings ("the substantive contents which make Buddhism a great religion and a source of a rich civilization") and has become either a set of ritualized devotions, undertaken by believers to obtain worldly good fortune, or an aggressive political movement that attracts the poorest classes of Sinhalese.

Politicized Buddhism in its modern form emerged in the opening years of the twentieth century when adherents of the religion, deploring the social evils of alcoholism, organized a temperance movement and criticized the colonial government for keeping taverns open as a source of tax revenue. The campaign was, implicitly, anti-Western and anti-Christian. With the passing of the colonial order, Buddhist activism was increasingly preoccupied with Sinhalese "majority rights," including the "Sinhala Only" language policy backed by SLFP leader S.W.R.D. Bandaranaike (who was assassinated by a Buddhist monk on September 26, 1959), and the agitation to give Buddhism special status in the 1972 constitution. But the equation of nation and religion also meant that any issue involving the welfare of the Sinhalese community, including issues of social equity, were fair game for activist monks and their supporters.

Thus, in 1986 leaders of the *sangha* (the community of Buddhist monks) joined with former Prime Minister Sirimavo Bandaranaike to establish the Movement for Defense of the Nation to deter President J.R. Jayewardene from making significant concessions to the Tamils. One Buddhist leader, the Venerable Palipane Chandananda, head of one of the major orders of monks, was labelled "Sri Lanka's Khomeini" both for his extremism and his predilection for getting involved in political issues. Lower-ranking monks also were frequent hardliners on the ethnic issue. A survey of monks taken during 1983 and 1984 by Nathan Katz, a Western student of Buddhism, revealed that 75 percent of his respondents refused to acknowledge that any Tamil grievances were legitimate. Many commented that the Tamils were an unjustly privileged minority and "it is the Sinhalese who have the grievances." Because of the tremendous prestige and influence of Buddhist monks among Sinhalese villagers and the poorest, least Westernized urban classes, the government in the late 1980s could not ignore the

monks' point of view, which could be summarized in a 1985 comment by Chandananda to the *Far Eastern Economic Review*: "They [the Tamils] are saying that they have lived here for 1,000 years. But they are complete outsiders from India who have been living here temporarily."

Tamil Exclusivism

The Sri Lankan Tamil community itself boasts an impressive mythology of cultural and religious uniqueness and superiority. This is particularly true of dominant-caste Vellala Tamils living in the Jaffna Peninsula, who regard their Tamil cousins living in India and the Indian Tamil residents of Sri Lanka, as well as the Sinhalese, as their less civilized inferiors (thus undermining, to some extent, the rationale behind Sinhalese fears of engulfment by the two Tamil communities). According to anthropologist Bruce Pfaffenberger, the Vellala Tamils place great importance on the correct observation of Hindu rituals, the chastity of their women, and the need to maintain precisely the hierarchical distinctions of caste. Pfaffenberger notes that the Vellala regard the Jaffna Peninsula as their *natu*, or country, and that states ruled by their kings existed there from the thirteenth century until the sixteenth-century arrival of the Portuguese. Although not all Sri Lankan Tamils were members of the Vellala caste, its members dominated local commercial and educational elites, and its values had strong influence on Tamils of other castes.

The 1978 Constitution and Government Institutions

Sri Lanka has benefited from the traditions of the rule of law and constitutional government that emerged during 150 years of British colonial rule. At least until the early 1970s, these traditions fostered the development of a political system characterized by broad popular participation in the political process, generally strict observance of legal guarantees of human and civil rights, and an orderly succession of elected governments without the intervention, as has occurred in several neighboring states, of the military. By the early 1980s, however, many observers feared for the future of Sri Lanka's democratic institutions. Some observers contended that constitutional government, rather than curbing the arbitrary use of political power, seemed itself to be shaped by aggressively narrow sectarian interests whose manipulation of the constitutional amendment process excluded large numbers of persons from politics and contributed to ethnic polarization and violence.

Historical Perspective, 1802–1978

After the Dutch ceded the island's maritime provinces to the British in 1802, these areas became Britain's first crown colony. The conquest and subjugation of the inland Kingdom of Kandy in 1815–18 brought the entire island under British control. Crown colony status meant that the island's affairs were administered by the Colonial Office in London, rather than by the East India Company that governed India until 1857. Even after the Indian Empire—ruled by a viceroy appointed by the British monarch—was established following the Indian Mutiny of 1857, Ceylon (as Sri Lanka was then called) was not included within its authority. The principal features of government and administration during the first century of British rule were a strong executive—the colonial governor—and a council of official and unofficial members who first served in a solely advisory capacity but were gradually granted legislative powers. An institution of central importance was the Ceylon Civil Service. In the early years, it was staffed primarily by British and other European personnel but then, increasingly and almost exclusively, by Sri Lankans.

A major turning point in the island's political development was implementation in 1931 of comprehensive reforms recommended by a royal commission headed by the Earl of Donoughmore. The most salient feature of the so-called Donoughmore Constitution, which attempted to reconcile British colonial control of the executive with Sri Lankan aspirations for self-government, was adoption of universal adult suffrage. This was, at that time, a bold experiment in representative government. Before 1931, only 4 percent of the male population, defined by property and educational qualifications, could vote. When elections to the legislature were held in 1932, the colony became the first polity in Asia to recognize women's suffrage. (Japan had adult male suffrage in 1925, but universal adult suffrage came only after World War II. The Philippines, a United States colony, achieved it in 1938.)

Toward the close of World War II, a second royal commission, headed by Lord Soulbury, was sent to Sri Lanka in order to consult with local leaders on the drafting of a new constitution. In its general contours, the Soulbury Constitution, approved in 1946, became the basic document of Ceylon's government when the country achieved independence on February 4, 1948. It established a parliamentary system modelled on that of Britain and quite similar to the constitution adopted by India in 1949. Like Britain and unlike India with its federal arrangement of states, independent Ceylon was, and in the late 1980s remained, a unitary state. The

constitution established a parliament headed by the British monarch (represented by the governor general) and two houses, the Senate and the House of Representatives. The latter, like the House of Commons in Britain, had the preponderant role in legislation. The majority party or party coalition in the popularly elected House of Representatives designated the prime minister. Executive power, formally vested in the monarch (in the person of his or her representative, the governor general), was in actuality exercised by the prime minister and his or her cabinet.

The second constitution, adopted in 1972, represented an attempt on the part of the SLFP-led United Front coalition, which had been elected in May 1970, to create new political institutions that allegedly reflected indigenous values more perfectly than the 1946 constitution. It abolished the Senate and established a unicameral National State Assembly. The assembly was defined as the embodiment of the power of the state, and provisions in the constitution denied the judiciary the authority to challenge its enactments. In addition, the constitution changed the formal name of the country from Dominion of Ceylon to Republic of Sri Lanka. In a controversial measure, the United Front-dominated assembly gave itself two additional years in power beyond its constitutionally defined five-year term (elections were originally scheduled for 1975). Judicial curbs on the executive were also greatly restricted. Through the exercise of a wide range of emergency and special powers, the government of Sirimavo Bandaranaike exercised strict control over the political system.

Aside from the issue of authoritarianism, two extremely controversial aspects of the 1972 constitution were the abandonment of the idea of a secular state, which had been incorporated into the 1946 constitution, and designation of Sinhala as the sole national language. Although the constitution did not make Sri Lanka a Buddhist state, it declared that "the Republic of Sri Lanka shall give to Buddhism the foremost place and accordingly it shall be the duty of the state to protect and foster Buddhism while assuring to all religions the rights secured by Section 18 (i)(d) [religious freedom]." Tamils, a predominately Hindu minority, resented the special status given to Buddhism and the nonrecognition of a role for their language in national life.

In the July 1977 general election, the UNP was swept into power. The new ruling party, led by Jayewardene, won 140 out of 168 seats in the assembly and thus was in a position to initiate substantial revisions of the 1972 constitution. This process it proceeded to undertake by passing the Second Amendment, which established the office of executive president in October 1977. Jayewardene

assumed the presidency on February 4, 1978. In November 1977, the UNP and the major opposition parties, with the conspicuous absence of the Tamil United Liberation Front (TULF), convened a select committee to draft further revisions. After conducting a survey on the opinions of various Sri Lankan citizens, it concluded that changes embodied in the Second Amendment were not sufficient to promote substantial reform and recommended that a new constitution be drafted. The new document was adopted by the National State Assembly in mid-August 1978, and went into effect on September 7, 1978. Under its provisions, the legislature chosen in the July 1977 general election was designated the country's new Parliament.

Government Institutions

The 1978 Constitution changed the country's formal name from the Republic of Sri Lanka to the Democratic Socialist Republic of Sri Lanka and established a presidential form of government similar to that operating in France under the Fifth Republic. The document contains 172 articles divided into 24 chapters. Like the 1972 constitution, it recognizes the special status of the Buddhist religion (assuring it, again, "foremost place" while guaranteeing the freedom of other religious communities). It differs from its predecessor, however, in granting "national" status to the Tamil as well as Sinhala language although only Sinhala is recognized as the "official" language. The language provisions permit the use of Tamil in administrative business in Northern and Eastern provinces and allow applicants for government employment to use either Tamil or Sinhala in the examination process (though knowledge of Sinhala might be required subsequent to induction into the civil service). In February 1983, Jayewardene announced that English would be recognized as a third national language.

The Constitution recognizes and guarantees a broad range of fundamental rights including: freedom of thought and conscience; religious freedom; freedom from discrimination on the basis of race, religion, sex, or caste; freedom of speech; basic legal protection including freedom from arbitrary arrest or detention; freedom to engage in any lawful occupation; and freedom of movement and travel. These rights are guaranteed to stateless persons resident in Sri Lanka for ten years following promulgation of the Constitution. Exercise of the fundamental rights, however, can be restricted in situations where national security is at risk or when the otherwise legal actions of persons (such as speech or publication) detract from racial or religious harmony or endanger "public health and morality."

The Constitution contains a section devoted to directive principles of state policy. These encompass a broad range of policy goals, including the establishment of a “democratic socialist society” and a just distribution of wealth; economic development; and the raising of cultural and educational standards. The directive principles also include a commitment to decentralizing the country’s administration and promoting national unity by eliminating all forms of discrimination. The duties of citizens (including the fostering of national unity) are also enumerated.

Amendment of the Constitution requires the vote of two-thirds of Parliament. In addition, measures that affect “the independent, unitary, and democratic nature of the state,” the Buddhist religion, fundamental rights, or the length of the term of office of president or Parliament must be approved by a popular referendum. Bills judged “inconsistent with the Constitution” cannot become law unless two-thirds of Parliament approve, but such bills can be repealed by a simple majority vote.

With its five-sixths majority in Parliament following the July 1977 general election, the UNP government of Jayewardene was able to pass a number of controversial constitutional amendments over the objections of the opposition. Some political commentators have suggested that such measures as the Fourth Amendment (December 1982), which extended the life of Parliament for six years, or the Sixth Amendment (August 1983), which obliged members of Parliament to renounce support for separatism, were designed not to strengthen democratic institutions but to prolong the UNP’s monopoly of power.

Presidency and Parliament

The most important national office is that of the president, who is defined in the Constitution as head of state, chief executive, and commander in chief of the armed forces. Although governmental institutions are divided in the customary way between the executive, legislative, and judicial branches, the president’s powers as chief executive are formidable compared to those of the legislature. Thus, it cannot be said that the Constitution provides the political system with the benefits of a genuine separation of powers.

With Parliament’s approval, the president appoints the prime minister and in consultation with the prime minister chooses the members of the cabinet. It is the chief executive, rather than the prime minister, who presides over the cabinet’s deliberations, and who may assume any ministerial portfolio. The president also has the authority to dissolve Parliament at any time and call for new elections. The president cannot exercise this power, however, if

the legislature has been in power for less than a year and does not consent to the dissolution, or if it is considering a resolution to impeach the president.

A striking feature of the governmental system is the huge size of cabinets. The Constitution designates twenty-eight minister-level portfolios, including two (the ministries of defense and plan implementation) held by the president. Additional ministers, however, may be appointed to take responsibility for special areas, such as the prevention of terrorism. District ministers, who play a major role in local government, are also designated. Including deputy ministers, a cabinet at one time may have more than eighty members chosen from the parliamentary ranks of the ruling party. In the late 1980s, ministerial rank and the resources made available through access to budgetary funds were, for individual legislators, an invaluable source of patronage and local level influence.

The president can announce a national referendum to seek popular approval of proposals of pressing national importance, including bills that have been rejected by Parliament. Other presidential prerogatives include declarations of war and peace, the granting of pardons, and the exercise of broad emergency powers. In the event of a public emergency, the president can invoke the power to enact measures without the consent of Parliament. The legislature, however, must convene no more than ten days after the chief executive's proclamation of an emergency. If a majority of the legislature fails to approve the state of emergency after two weeks, it automatically lapses; it lapses after ninety days if a simple majority of the members of Parliament do not approve its continuation.

The president is popularly elected for a term of six years. He or she may serve no more than two consecutive six-year terms. The Constitution stipulates, however, that the term of a chief executive who assumes office other than through a normal presidential election will not be counted as one of the two. Whether this means that Jayewardene's first term from 1977 to 1982, which began with his election as prime minister in the 1977 general election, would be counted toward the two-term total was unclear. The Third Amendment to the Constitution, approved in 1982, allows the president to hold a presidential election at any time following his fourth year in office.

The Constitution states that the president is responsible to Parliament and can be impeached by the legislature if that body approves the measure by a two-thirds vote and the Supreme Court also calls for his or her removal from office. Grounds for impeachment include mental or physical incapacitation, moral offenses, abuses of power, bribery, treason, and blatant violations of the Constitution.

The prime minister assumes the responsibilities of the president if the incumbent is disabled or is overseas. Parliament chooses a new president if the incumbent dies or leaves office before the end of his or her term.

During the mid-1980s, the powers vested by the Constitution in the chief executive, the unprecedented majority that the UNP won in the July 1977 election, the 1982 postponement of a new general election until 1989, and a strong tradition of party discipline provided Jayewardene virtually unchallenged control over Parliament. The Constitution gives the legislature a term of six years. But in November 1982, Jayewardene, elected the previous month to a second six-year presidential term, announced his decision to hold a popular referendum on a constitutional amendment, the fourth, which would extend the life of Parliament from six to twelve years (a general election was due by August 1983). As justification for the amendment, he cited both his popular mandate (he won 52.9 percent of the votes cast in the October 1982 presidential election compared to 39.1 percent for his nearest opponent) and the threat posed by an "anti-democratic, violent and Naxalite group" associated with the opposition SLFP that allegedly planned to seize power and "[tear] up all constitutional procedures." (The term "Naxalite" refers to a leftist, revolutionary and violent movement that emerged in India during the 1960s.) After approval by Parliament and the Supreme Court, the amendment was supported by a narrow 54.7 percent of the voters on December 22, 1982. The fact that the referendum took place during a state of emergency and that there were widespread reports of voter fraud and intimidation caused many to doubt the legitimacy of this procedural exercise. Observers noted, however, that members of the opposition were allowed to express their opinions freely prior to the December 22 vote and were given access to the media, including television. The Constitution stipulates that when the next general election is held, the number of members of Parliament shall be increased from 168 to 196.

Local Government

Because Sri Lanka is a unitary rather than a federal state, local government institutions have had a very limited role in the political process. The country traditionally has been divided into nine provinces, which had played an important administrative role during the British colonial era. The principal local government subdivisions since the early 1980s have been the twenty-four administrative districts (see fig. 1). Before 1981 each district contained administrative offices representing most national-level

ministries and known collectively as *kachcheri* (government offices). Two officers of major significance at the district level were the government agent and the district minister. Government agents, appointed by the central government, traced their origins to the colonial era, but the office of district minister, which was filled by individuals concurrently serving as members of Parliament, was created after 1978. Because of the district ministers' access to central government funds for patronage purposes, they tended to diminish the power and influence of the government agents.

In 1981 the *kachcheri* system and the subdistrict system of elective village and town councils were replaced by district development councils and subdistrict-level units known as *pradeshia mandalaya* (divisional council) and *gramodaya mandalaya* (village council) (see fig. 11). The councils were created largely to satisfy minority aspirations for local self-government and were designed to exercise a significant measure of autonomy, especially—as the name implies—in the area of economic planning and development. Although the district development councils served in the late 1980s as conduits for central government funds, they also had been granted the authority to collect taxes and manage their own budgets and were given responsibility for educational and cultural activities within their spheres of jurisdiction. Each district council consisted of some members appointed by the central government and others elected by local constituents for four-year terms on the basis of proportional representation. Their deliberations were presided over by the district ministers who were, as mentioned, members of Parliament (they did not in all cases represent in Parliament the district in which they exercised this function); government agents served as council secretaries.

The subdistrict-level *mandalaya*, or councils, were designed to promote village-level democracy and provide support for district development council programs. The changes implemented in 1981 affected the 75 percent of the population living in rural areas. Twelve municipal and thirty-eight urban councils continued to function in urban areas in the late 1980s.

Electoral System

In the late 1980s, popular elections were held, in principle at regular intervals, for the office of president, members of Parliament, and positions on local government bodies such as municipal and urban councils, district development councils, and the *mandalaya*. The Constitution grants the right to vote to all citizens aged eighteen years and over who are of sound mind and have not been convicted of major crimes. All qualified voters have the right to run for Parliament unless they are members of the armed forces,

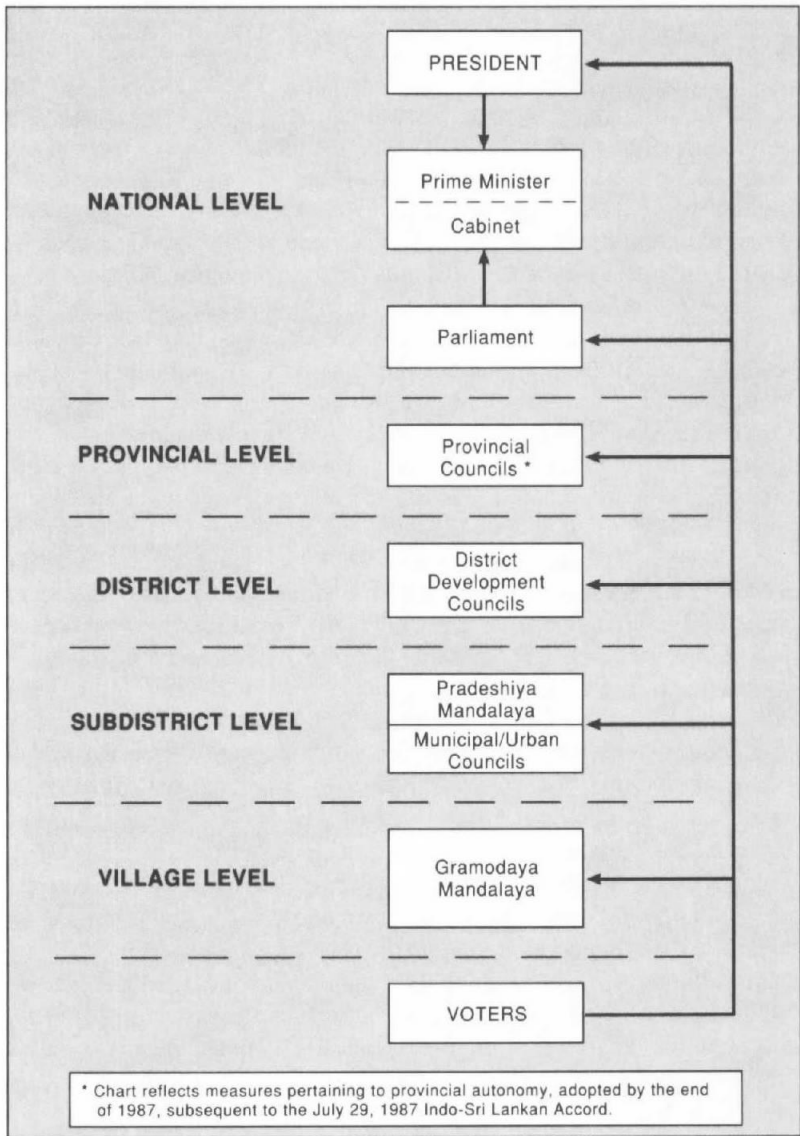


Figure 11. The Structure of Government, 1987

police, or certain branches of the civil service, hold other positions that might result in a conflict of interest, or have been convicted of bribery while serving in a previous term in Parliament within the past seven years. The qualifications for running for president are similar, though there is a minimum age requirement of thirty.

The president is chosen by a simple majority vote. In the election of October 20, 1982, the country was divided into twenty-two election districts (the Constitution provides for a maximum of twenty-four electoral districts). Citizens could mark their ballots for a maximum of three presidential candidates in order of preference. Under this "single transferable vote system," if no candidate received more than half the votes, all but the two candidates with the largest percentages of the total votes cast would be eliminated. Persons who voted their top preference for a candidate who had been eliminated would have their second or third preferences counted if they had chosen one of the top two vote-getters. In the 1982 balloting, six candidates contested the presidency but it was reported that only a small number of voters indicated a second or third preference on their ballots.

The 1946 and 1972 constitutions provided for the election of members of Parliament (or, between 1972 and 1978, the National State Assembly) from single-member constituencies similar to those found in Britain. Consequently, relatively small changes in the percentage of voters supporting a given party caused large variations in the number of seats that party won in Parliament, and majority parties were over-represented in terms of their percentage of the popular vote. For example, in the 1965 general election, the UNP won 39.3 percent of the vote and secured 66 out of 151 seats in Parliament; its share of the vote in the 1970 election dropped 1.4 percent to 37.9 percent, but it won only 17 seats. The 1978 Constitution replaced the single-member constituencies with a system of proportional representation in which the number of candidates returned from a single electoral district is determined on the basis of population. Although this system creates a closer correspondence between vote percentages and parliamentary representation, the equitable nature of proportional representation is diluted by a constitutional provision that grants the party with the largest percentage of votes in each district a "bonus" seat in addition to those gained through proportional representation.

The Constitution stated that by-elections to fill vacancies in Parliament before a general election were not necessary because the political parties themselves could appoint successors. On February 20, 1983, however, Parliament passed a constitutional amendment, the fifth, which provides for by-elections if the incumbent party fails to nominate a successor within thirty days of the seat becoming vacant. On May 18, 1983, by-elections for eighteen seats were held.

Judiciary

Although Sri Lanka's colonial heritage fostered a tradition of judicial freedoms, this autonomy has been compromised since

independence by constitutional changes designed to limit the courts' control over the president and by the chief executive's power to declare states of emergency. Also, Parliament's willingness to approve legislation, such as the 1979 Prevention of Terrorism Act, vested the government in the late 1980s with broad powers to deal with subversives, or those deemed subversive, in an essentially extralegal manner. Observers in the late 1980s reported that the act facilitated widespread abuses of power, including the systematic torture of detainees, because it recognized the admissibility as evidence of confessions to the police not made in the presence of a magistrate.

Under the Constitution, the highest court is the Supreme Court, headed by a chief justice and between six and ten associate justices. Supreme and High Court justices are appointed by the president. Superior Court justices can be removed on grounds of incompetence or misdemeanor by a majority of Parliament, whereas High Court justices can be removed only by a judicial service commission consisting of Supreme Court justices. The Supreme Court has the power of judicial review; it can determine whether an act of Parliament is consistent with the principles of the Constitution and whether a referendum must be taken on a proposal, such as the 1982 extension of Parliament's life by six years. It is also the final court of appeal for all criminal or civil cases.

Civil Service

The civil service in Sri Lanka was established during the colonial period and in the late 1980s continued to operate in accordance with well-established British precedents. It was hierarchical in structure. At the apex of the hierarchy was a well-defined elite, the Sri Lanka Administrative Service, which was composed of talented men and women chosen by competitive examination. They were well-educated generalists, expected to take a broad perspective in their work in contrast to specialist personnel operating on the lower ranks of the hierarchy. They enjoyed tremendous prestige. Because government employment on practically all levels offered economic security as well as status, competition for civil service and other government positions remained intense. One of the most important sources of Tamil disaffection from the Sinhalese-dominated political system has been their perception that government service opportunities for members of their community were decreasing. This view is borne out by statistics: in the administrative service, the number of Tamil officeholders declined from 11.1 percent of the total during the 1970-77 period to only 5.7 percent during the 1978-81 period. Spokesmen for the Sinhalese majority have asserted

that the British traditionally favored the employment of Tamils over Sinhalese in the colonial bureaucracy and that the declining Tamil percentages reflected an equitable redressing of the balance. The percentage during 1978-81, however, was substantially lower than Sri Lankan Tamils' percentage of the total population (12.6 percent in 1985).

Especially since the early 1970s, the civil service has been subject to intense political pressures. Under the British-style 1946 constitution, the highest-ranking appointed officials in the government were the secretaries attached to each ministry. But after the adoption of the 1972 constitution, secretaries have been political appointees. This change and the dynamics of patron-client politics have compromised both the bureaucracy's claim of political neutrality and the quality of its staff. The power of patronage means that each member of Parliament has jobs, ranging from professional positions like school teachers or engineers, to clerkships and menial labor, which the members can distribute freely to followers. The eclipse of Tamil influence in Parliament has meant that such benefits were not generally available to the Tamil community.

In the late 1980s, about 25 percent of all employment in Sri Lanka was in the public sector. In addition to the civil service, this proportion included the police, the armed forces, and public corporations, which continued to dominate the economy despite Jayewardene's liberalization policies since 1977 (see *Nature of the Economy*, ch. 3).

The Political Party System

One of the most striking features of the political system in the more than four decades since independence has been the existence of viable and generally stable political parties. In the general elections held between 1952 and 1977, a two-party system emerged in which the UNP and the SLFP alternately secured majorities and formed governments. Observers noted, however, that one major failure of the two-party system was the unwillingness or inability of the UNP and the SLFP to recruit substantial support among Tamils. As a result, this minority was largely excluded from party politics.

On the basis of ethnicity, three types of parties could be defined in the late 1980s: Sinhalese-backed parties including the UNP, the SLFP, Marxist parties, such as the Lanka Sama Samaja Party (LSSP) and the Communist Party of Sri Lanka, and the numerically insignificant splinter groups; a largely inoperative Tamil party system composed of the Tamil United Liberation Front (TULF); and other minority-oriented parties, such as the Ceylon Workers' Congress which enjoyed the support of the Indian Tamils, and the

Sri Lanka Muslim Congress. The situation was complicated by the fact that extremist groups, such as the Sinhalese-based People's Liberation Front (Janatha Vimukthi Peramuna—JVP) in southern Sri Lanka and the Tamil Tigers based in the Northern and Eastern provinces, challenged the legal parties for popular support. By the late 1980s, both the intransigence of the Jayewardene government and the use of intimidation tactics by extremists in Jaffna District and parts of Eastern Province dramatically reduced popular backing among Tamils for the relatively moderate TULF.

The political party system was also weakened by the determination of the UNP leadership to retain a solid parliamentary majority through the use of constitutional amendments (see Government Institutions, this ch.). During the 1980s, various UNP measures undermined the balance between the two major parties that had been an important factor behind the political stability of the years between 1952 and 1977. The extension of the life of Parliament until 1989 and the passage of the amendment prohibiting the advocacy of separatism, which resulted in the expulsion of TULF members from Parliament, created new political grievances. The Jayewardene government's decision to deprive SLFP leader Sirimavo Bandaranaike of her civil rights for seven years for alleged abuses of power in October 1980 also weakened the two-party system because it deprived the SLFP of its popular leader.

Despite drastic constitutional changes since 1972, the party system's British heritage is readily apparent in the clear distinction made between government and opposition legislators in Parliament (sitting, as in Westminster, on opposite benches) and provisions in the 1978 Constitution to prevent defections from one party to another, previously a common practice. Backbenchers are expected to follow the initiatives of party leaders and can be punished with expulsion from the party for failing to observe party discipline.

Sinhalese Parties

The UNP

The UNP was established in 1946 by prominent nationalist leaders such as Don Stephen Senanayake, who became the country's first prime minister, and S.W.R.D. Bandaranaike, who broke with Senanayake in 1951, establishing the SLFP. The UNP, originally a collection of disparate and jealous factions, was organized to compete in the first general elections in 1947 against leftist parties on the platform of communal harmony, parliamentary democracy, and anticommunism. Between 1946 and the early 1970s, the UNP was organized around power personalities and politically influential

families rather than a consistent ideology or a strong party organization. In its early years it was known as the “uncle-nephew party” because of the blood ties between its major leaders. When the first prime minister, Don Stephen Senanayake, died in March 1952, he was succeeded by his son, Dudley. In September 1953, Sir John Kotelawala, Dudley Senanayake’s uncle, assumed the leadership of the UNP government and remained in power until April 1956. In the March 1965 general election, Dudley Senanayake again became prime minister at the head of a UNP government. In 1970 leadership of the party passed to a distant relative, Junius Richard (J.R.) Jayewardene. A prominent activist in the preindependence Ceylon National Congress who was elected to the colonial era legislature in 1943, Jayewardene departed from the personality-dominated UNP status quo. Instead, he established a strong party organization and recruited members of the younger generation, traditionally attracted to the leftist parties, to fill UNP party ranks.

In keeping both with the privileged background of its leadership and the need to provide the electorate with a clear-cut alternative to the leftist orientation of the SLFP and other groups, the UNP has remained, since independence, a party of the moderate right. Despite the constitutional adoption of the term “Democratic Socialist Republic of Sri Lanka” as the country’s formal name, the ruling party’s policies under Jayewardene have included comprehensive economic liberalization designed to stimulate growth of a market economy, encouragement of foreign investment, a partial dismantling of the country’s elaborate welfare state institutions, and closer and friendlier relations with the United States and other Western countries. Because the UNP’s popular support is firmly anchored in the Sinhalese-majority regions of central, southern, and western Sri Lanka, it has had to compromise with rising grassroots sentiment against the Tamil minority as ethnic polarities intensified during the 1980s. Historically, however, it is less closely identified with Sinhalese chauvinism than its major rival, the SLFP.

The Sri Lanka Freedom Party

In 1951 S.W.R.D. Bandaranaike led his faction, the Sinhala Maha Sabha, out of the ruling UNP and established the SLFP. Bandaranaike had organized the Sinhala Maha Sabha in 1937 in order to promote Sinhalese culture and community interests. Since the 1950s, SLFP platforms have reflected the earlier organization’s emphasis on appealing to the sentiments of the Sinhalese masses in rural areas. To this basis has been added the antiestablishment appeal of nonrevolutionary socialism. On the sensitive issue of language, the party originally espoused the use of both Sinhala and

Tamil as national languages, but in the mid-1950s it adopted a "Sinhala only" policy. As the champion of the Buddhist religion, the SLFP has customarily relied upon the socially and politically influential Buddhist clergy, the *sangha*, to carry its message to the Sinhalese villages.

Another important constituency has been the Sinhalese middle class, whose members have resented alleged Tamil domination of the professions, commerce, and the civil service since the British colonial era. In contrast to the free market orientation of the UNP, the SLFP's policies have included economic self-sufficiency, nationalization of major enterprises, creation of a comprehensive welfare state, redistribution of wealth, and a nonaligned foreign policy that favored close ties with socialist countries. It has, however, refused to embrace Marxism as its guiding ideology.

Like the UNP, the SLFP has been a "family party." S.W.R.D. Bandaranaike was assassinated in 1959. After a brief and somewhat chaotic interregnum, his widow, Sirimavo Bandaranaike, was chosen as party leader. In the July 1960 general election, the party won 75 out of 151 parliamentary seats, and in a coalition with Marxist parties, Mrs. Bandaranaike became the world's first democratically elected female head of government. Although she was obliged to step down from party leadership after her civil rights were taken away in October 1980 on charges of corruption and abuse of power, she resumed leadership of the SLFP following a government pardon granted on January 1, 1986.

In 1977 six members of the SLFP left the party and formed a new group, the People's Democratic Party (PDP—Mahajana Prajathanthra). A second group, the Sri Lanka People's Party (SLPP—Sri Lanka Mahajana Pakshaya), was formed in 1984 by a daughter of Sirimavo Bandaranaike, Chandrika Kumaratunge, and her husband Vijay Kumaratunge. They claimed that the original SLFP, under the leadership of Sirimavo Bandaranaike's son, Anura, was excessively right wing and had become an instrument of the Jayewardene government. Although Sirimavo Bandaranaike reentered politics and assumed a leadership position within the SLFP after her 1986 pardon, Anura Bandaranaike remained leader of the parliamentary opposition. Neither the PDP nor the SLPP had representation in Parliament in 1988.

During the late 1980s, the SLFP and the breakaway SLPP remained split on the sensitive issue of negotiations with Tamil separatists. The former opposed the granting of significant concessions to the militants while the latter joined the UNP in supporting them. In 1986 Sirimavo Bandaranaike and politically active members of the Buddhist leadership established the Movement for

Defense of the Nation in order to campaign against proposed grants of regional autonomy to the Tamils.

The Marxist Parties

In the late 1980s, Sri Lanka had two long-established Marxist parties. The Lanka Sama Samaja Party (LSSP) was founded in 1935 and remained in the late 1980s one of the very few Marxist-Leninist parties in the world to associate itself with the revolutionary doctrines of Leon Trotsky. This connection made it attractive to independent-minded Marxists who resented ideological subservience to Moscow and who aspired to adapt Marxism to Sri Lankan conditions. During the late 1940s and early 1950s, the LSSP functioned as the primary opposition party, but its fortunes declined after the emergence of the non-Marxist SLFP. Like the SLFP, the LSSP joined with the ruling UNP in the mid-1980s to support a negotiated settlement with Tamil militants but in 1988 did not have members in Parliament. The New Equal Society Party (Nava Sama Samaja Party—NSSP) was in 1987 a breakaway faction of the LSSP.

The Communist Party of Sri Lanka (CPSL) was established in 1943 and continued in the late 1980s to follow the direction of the Soviet Union on matters of ideology. Banned briefly in July 1983 along with the JVP and the NSSP, in 1987 it had limited popular support.

The People's United Front

The People's United Front (Mahajana Eksath Peramuna—MEP) was a small party founded by veteran leftist Dinesh P. R. Gunawardene that since the early 1950s has attracted Sinhalese support with appeals to militant Buddhist and Sinhala chauvinist sentiments. In 1956 it formed a coalition on the left with the SLFP and Marxist parties, but in a shift to the right four years later joined forces with the UNP. During the late 1970s and the early 1980s, it maintained a formal association with the JVP, originally a Maoist group that was responsible for a bloody uprising in 1971 but operated as a legal political party between 1977 and 1983.

Tamil United Liberation Front

With very few exceptions, Sri Lankan Tamils have tended to support their own parties and candidates rather than vote for the UNP, SLFP, or the Marxist parties. In the July 1977 general election, for example, only 9 percent of the voters in the Tamil-majority Northern Province supported the two major parties (the UNP, less closely associated with Sinhalese chauvinism from the Tamil

viewpoint than the SLFP, won 8 of the 9 percent). In the years following independence, the most important Tamil party was the Tamil Congress, led by G.G. Ponnambalam, one of the major figures in the independence movement. A breakaway group led by another figure, S.J.V. Chelvanayakam, founded a second party, the Federal Party, which began to make inroads into the Tamil Congress' constituency by advancing proposals for a federal state structure that would grant Tamils substantial autonomy.

In the early 1970s, several Tamil political groups, including the Tamil Congress and the Federal Party, formed the Tamil United Front (TUF). With the group's adoption in 1976 of a demand for an independent state, a "secular, socialist state of Tamil Eelam," it changed its name to the Tamil United Liberation Front (TULF). In the general election of July 1977, TULF won eighteen seats in the legislature, including all fourteen seats contested in the Jaffna Peninsula. In October 1983, all the TULF legislators, numbering sixteen at the time, forfeited their seats in Parliament for refusing to swear an oath unconditionally renouncing support for a separate state in accordance with the Sixth Amendment to the Constitution. In an atmosphere of intensifying ethnic violence and polarization, their resignations deprived Sri Lankan Tamils of a role in the legal political process and increased tremendously the appeal of extremist groups such as the Liberation Tigers of Tamil Eelam (see Tamil Militant Groups, this ch.). But in December 1985, the TULF leadership softened its position and proposed that an autonomous Tamil State could be established within the Sri Lankan constitutional framework in a manner similar to the federal states of India.

Other Parties

The Ceylon Workers' Congress, headed in 1988 by Suvumyamoorthy Thondaman, originally joined with other Tamil groups to form TULF, but withdrew from the party after the July 1977 general election, when Jayewardene offered Thondaman a post in the UNP cabinet. In the late 1980s, the Ceylon Workers' Congress, with one representative, Thondaman, in Parliament, continued to cooperate with the ruling party. This was politically feasible because its principal supporters, Indian Tamils located for the most part in the central part of the country, were unresponsive to the Sri Lankan Tamils' call for an independent state in the north. In December 1986, the Sri Lanka Muslim Congress, based in the Eastern Province, announced its determination to become a national political party.

Electoral Performance

In general elections between 1952 and 1977, the two major parties have alternately secured majorities: the SLFP in 1956, July 1960 (elections were held in both March and July 1960), and 1970; and the UNP in 1952, March 1960, 1965, and 1977. To govern effectively, each party has formed coalitions with smaller groups. The two major parties, however, have together gained a progressively larger percentage of the popular vote at the expense of the smaller groups: from 59.5 percent of the total vote in 1952 to 80.6 percent in 1977 (see table 12, Appendix A). In the July 1977 general election, the UNP, benefiting from widespread public disaffection with the leftist policies of the SLFP, won the largest majority in history: 50.9 percent of the popular vote and 140 out of 168 seats contested. The SLFP's parliamentary representation dropped dramatically from 91 to 8 seats, though it garnered 29.7 percent of the vote. With its eighteen seats, the TULF became the principal opposition party. Two seats were won by the Ceylon Workers' Congress and an independent. The two Marxist parties, the LSSP and the CPSL, failed to win representation. Parliamentary elections have typically included a large number of independent candidates, but the number elected has steadily declined since 1947. In July 1977, there were 295 independents running without party affiliation, but only 1 secured a parliamentary seat.

By-elections for eighteen parliamentary seats that became vacant after the resignation of UNP members were held in May 1983 in tandem with local government elections. These were conducted under the system of proportional representation outlined in the Constitution. The UNP won fourteen of the contests, the SLFP won three, and the People's United Front won one. Further by-elections were held during the 1984–86 period.

Sri Lanka has had only one presidential election since promulgation of the 1978 Constitution. This occurred on October 20, 1982. Six candidates participated. The deeply divided SLFP, deprived of its most popular leader, Sirimavo Bandaranaike, put up Hector Kobbekaduwa, an obscure candidate who had served as minister of agriculture in a SLFP government. Kobbekaduwa won 39.1 percent of the vote, compared to the incumbent Jayewardene's 52.9 percent. The four other candidates, who together won only 8.1 percent of the vote, represented the JVP, LSSP, NSSP, and the Tamil Congress.

The Emergence of Extremist Groups

During the 1980s, extremist groups operating within both Tamil and Sinhalese communities were a grave threat to political stability

and democratic institutions. Like Northern Ireland and Lebanon, Sri Lanka had become a country in which the vicious cycle of escalating violence had become so deeply entrenched that prospects for a peaceful resolution of social and political problems seemed remote. Extremism was generationally as well as ethnically based: many youth, seeing a future of diminished opportunities, had little faith in established political and social institutions and were increasingly attracted to radical solutions and the example of movements abroad like the Popular Front for the Liberation of Palestine.

Perhaps surprisingly, the first major extremist movement in postindependence history was Sinhalese and Buddhist rather than Tamil and Hindu. The JVP, an ultra-leftist organization established in the late 1960s by Rohana Wijeweera, attracted the support of students and poor Sinhalese youth in rural areas. In April 1971, the JVP led an armed uprising that resulted in the death of thousands of the rebels at the hands of the security forces (one estimate is 10,000 fatalities). The historian, K.M. de Silva, calls the 1971 JVP insurrection "perhaps the biggest revolt by young people in any part of the world in recorded history, the first instance of tension between generations becoming military conflict on a national scale." Although it suppressed the poorly organized revolt with little difficulty, the Bandaranaike government was visibly shaken by the experience. Fears of future unrest within the Sinhalese community undoubtedly made it reluctant, in a "zero-sum" economy and society, to grant significant concessions to minorities.

Although the JVP was recognized as a legal political party in 1977 and Wijeweera ran as a presidential candidate in the October 1982 election, it was banned by the government after the summer 1983 anti-Tamil riots in Colombo and went underground. By the late 1980s, it was again active in Sinhalese-majority areas of the country. The JVP cadres organized student protests at Sri Lanka's universities, resulting in the temporary closure of six of them, and led sporadic attacks against government installations, such as a raid on an army camp near Kandy in 1987 to capture automatic weapons. But they were also suspected of establishing links with Tamil militant groups, especially the Eelam Revolutionary Organization of Students (EROS). Government intelligence analysts believed that the JVP, in tandem with EROS, was attempting to organize a leftist movement among Indian Tamils in the Central Highlands (see fig. 3). This was a disturbing development since the Indian Tamils had traditionally been docile and politically apathetic.

In 1987 a splinter group of the JVP, known as the Deshapremi Janatha Viyaparaya (DJV—Patriotic Liberation Organization),

emerged. The DJV threatened to assassinate members of Parliament who approved the conditions of the July 29, 1987 Indo-Sri Lankan Accord, which it described as a “treacherous sell-out to Tamil separatists and Indian expansionists” and said that it would take the lives not only of parliamentarians who approved it but also of their families (see *The Janatha Vimukthi Peramuna*, ch. 5).

Tamil Alienation

Moderate as well as militant Sri Lankan Tamils have regarded the policies of successive Sinhalese governments in Colombo with suspicion and resentment since at least the mid-1950s, when the “Sinhala Only” language policy was adopted (see *Emergence of the Sri Lanka Freedom Party*, ch. 1). Although limited compromises designed to appease Tamil sentiment were adopted, such as the 1959 Tamil Language Special Provision Act and the 1978 Constitution’s granting of national language status to Tamil, the overall position of the minority community has deteriorated since Sri Lanka became an independent state. Pressured by militant elements within the Sinhalese community, the UNP and SLFP political leadership has repeatedly failed to take advantage of opportunities to achieve accords with the Tamils that could have laid the foundations for ethnic understanding and harmony. For example, in 1957 S.W.R.D. Bandaranaike reached an agreement with Tamil Federal Party leader Chelvanayakam that would have granted regional autonomy to Tamil-majority areas and recognized Tamil as a language of administration in those areas. The pact, however, was never honored by Bandaranaike or his widow. Tambiah called it “a great opportunity, fatefully missed, to settle the Tamil issue for all time.” Three decades later, after thousands of people in both ethnic communities had met violent deaths, a similar accord was reached, but only with the intervention of India.

Several issues provided the focus for Sri Lankan Tamil alienation and widespread support, particularly within the younger generation, for extremist movements. Among the issues was the language problem, which was only partially resolved by the 1978 Constitution’s conferral of national language status on Tamil. Sinhala still remained the higher-status “official language,” and inductees into the civil service were expected to acquire proficiency in it. Other areas of disagreement concerned preference given to Sinhalese applicants for university admissions and public employment, and allegations of government encouragement of Sinhalese settlement in Tamil-majority areas.

Until 1970 university admissions were determined solely by academic qualifications. Because of the generally higher educational

standards of Tamils, their percentage of university enrollments substantially exceeded their percentage of the general population. In 1969 for example, 50 percent of the students in the country's faculties of medicine and 48 percent of all engineering students were Tamil. During the 1970s, however, the government implemented a preferential admissions system known as the "policy of standardization." This was a geographically based criterion, but because the two ethnic communities tended to be regionally segregated, such a policy increased Sinhalese enrollments. The scheme established quotas for 70 percent of university places on the basis of revenue districts; this included a special allotment of 15 percent of all openings reserved for educationally underprivileged districts, which were predominantly Sinhalese. Only 30 percent of openings were allotted nationwide on merit considerations alone. By the early 1980s, the policy had proven a statistical success: in 1983 only 22 percent of medical students and 28 percent of engineering students were Tamils.

The limiting of educational opportunities for Tamils was reflected in declining percentages of Tamils in the skilled and professional areas of government service. State-employed Tamil physicians declined from 35 percent in the 1966-70 period to 30 percent in 1978-79; engineers from a 38 percent average in the 1971-77 period to 25 percent in 1978-79; and clerical workers from an 11 percent average in 1970-77 to a little more than 5 percent in 1978-79. By 1980 the percentage of Tamil employees in the public sector, excluding public corporations, was roughly equivalent to their percentage of the population, or 12 percent.

Political factors played a role in the decline in the number of Tamils in public service. Under the so-called *chit* system, which became pervasive when Sirimavo Bandaranaike was in power during the 1970s, the influence of a parliamentarian was needed to secure a government job (the *chit* being a memorandum written by the legislator to inform personnel authorities of the preferred candidate). The Jayewardene government made the machinery of patronage still more overt by giving each legislator "job banks" of lower level positions to be distributed to their followers. The expanding role of patronage on all levels of the civil service had two implications for Tamils: first, merit qualifications that would have benefited educated Tamils were sacrificed to patron-client politics; second, the patronage system provided Tamils with little or no access to public employment because their political representatives, especially after the 1977 general election, had very limited influence.

Government-sponsored settlement of Sinhalese in the northern or eastern parts of the island, traditionally considered to be Tamil

regions, has been perhaps the most immediate cause of intercommunal violence. There was, for example, an official plan in the mid-1980s to settle 30,000 Sinhalese in the dry zone of Northern Province, giving each settler land and funds to build a house and each community armed protection in the form of rifles and machine guns. Tamil spokesmen accused the government of promoting a new form of "colonialism," but the Jayewardene government asserted that no part of the island could legitimately be considered an ethnic homeland and thus closed to settlement from outside. Settlement schemes were popular with the poorer and less fortunate classes of Sinhalese.

Indian Tamils, poorer and less educated than their Sri Lankan Tamil cousins, since independence have endured an equally precarious situation. Although agreements with India largely resolved the issue of their nationality, 100,000 Indian Tamils remained stateless in the late 1980s. Those holding Sri Lankan citizenship and remaining loyal to Thondaman's progovernment Ceylon Workers' Congress were largely indifferent to Sri Lankan Tamils' militant demands for an independent state, but endemic poverty among plantation workers and occasional harsh treatment at the hands of the police and Sinhalese civilians made the people more receptive to leftist ideology and threatened the traditional tranquility of the inland hill country.

Tamil Militant Groups

The de facto policies of preference that the Sri Lankan government adopted in order to assist the Sinhalese community in such areas as education and public employment affected most severely middle class Tamil youth, who found it more difficult during the 1970s and 1980s to enter a university or secure employment than had their older brothers and sisters. Individuals belonging to this younger generation, often referred to by other Tamils as "the boys," formed the core of an extremist movement that had become, by the late 1980s, one of the world's most violent. By the end of 1987, they fought not only the Sri Lankan security forces but also the armed might of the (Indian Peacekeeping Force) and terrorized both Sinhalese and Tamil civilians with acts of random violence. They also fought among each other with equal if not greater brutality (see *The Tamil Insurgency*, ch. 5).

In a sense, the militant movement was not only a revolt against the Sinhalese-dominated status quo but also an expression of intergenerational tensions in a highly traditional society where obedience to parental authority had long been sacrosanct. Militant youth criticized their elders for indecisiveness at a time when they

felt the existence of their ethnic community clearly was in danger. The movement also reflected caste differences and rivalries. The membership of the largest and most important extremist group, for example, the Liberation Tigers of Tamil Eelam (LTTE), was generally drawn from the Karava or fisherman caste, while individuals belonging to the elite Vellala caste were found in considerable numbers in a rival group, the People's Liberation Organization of Tamil Eelam (PLOTE, also PLOT).

Liberation Tigers of Tamil Eelam

The Liberation Tigers of Tamil Eelam (LTTE) emerged in 1972 when Tamil youth espousing an independent Tamil state established a group called the Tamil New Tigers. At that time, the idea of secession was still considered radical by most Tamil leaders, though the TULF embraced it four years later. An incident of apparently unprovoked police brutality in 1974 started the LTTE on its career of insurgency. In January of that year, the World Tamil Research Conference, bringing delegates from many different countries, was held in Jaffna. Police seeing large crowds milling around the meeting hall attacked them ferociously. Nine persons were killed and many more injured. The incident was viewed by youthful militants not only as a provocative act of violence but as a deliberate insult to Tamil culture. It was, according to one Tamil spokesman, "a direct challenge to their manhood." The Tigers' first act as an insurgent movement was to assassinate the progovernment mayor of Jaffna in 1975. Subsequently they went underground. As extremist movements in other countries have done, the LTTE apparently established contacts with similar groups, such as the Popular Front for the Liberation of Palestine, trained with Palestinians in Libya and Lebanon, and ran its own secret training camps in India's Tamil Nadu State. In 1988 Velupillai Prabhakaran, its undisputed military and political leader, and A.S. Balasingham, its ideological spokesman, were the LTTE's most important figures.

The Tamil militants' choice of the tiger as their symbol reflected not only the ferocity of that animal but a deliberate contrast with the lion (*singha*), which traditionally has been a symbol of the Sinhalese people and is depicted in the Sri Lankan flag.

Ideologically, LTTE theoreticians at times resorted to Marxist rhetoric to characterize their struggle. Overall, the creation of an independent Tamil state, irrespective of ideology, remained the movement's only goal. In pursuit of this objective, the LTTE seemed more wedded to direct and violent action than formulation of principles on which the independent state would operate.

LTTE leader Prabhakaran maintained friendly, though watchful, relations with the chief minister of India's Tamil Nadu State, M.G. Ramachandran, until the latter's death in 1987. Until India's intervention in 1987, he could count upon at least the moral support of Ramachandran's political party, the All-India Anna Dravida Munnetra Kazhagam (AIADMK). Some of the LTTE's militant rivals maintained ties with the Tamil Nadu opposition party, the Dravida Munnetra Kazhagam, which was headed by Ramachandran's bitter rival, M. Karunaidhi.

Other Tamil Groups

Observers in the late 1980s counted at least thirty separate guerrilla groups of which five, including the LTTE, were the most important (see *The Tamil Insurgency*, ch. 5). The other four major groups were the Eelam People's Revolutionary Liberation Front (EPRLF), led by K. Padmanabha, the Tamil Eelam Liberation Organization (TELO), led by Sri Sabaratnam until he was killed by the LTTE assassins in May 1986, the Eelam Revolutionary Organization of Students (EROS), led by V. Balakumar, and the People's Liberation Organization of Tamil Eelam (PLOTE), headed by Uma Maheswaran. These groups differed significantly in terms of strategies and ideologies. EROS was said to prefer acts of economic sabotage. In March 1985, the LTTE, EPRLF, TELO, and EROS formed a united front organization, the Eelam National Liberation Front (ENLF). PLOTE, probably the most genuinely Marxist-Leninist of the five major guerrilla groups, remained outside the coalition. By mid-1986, ENLF had become largely inoperative after the LTTE quit, although the other groups sought to form a front without its participation.

The Liberation Tigers proceeded to devour their rivals during 1986 and 1987. TELO was decimated in 1986 by repeated LTTE attacks. During 1987 the Tigers battled not only Indian troops but members of PLOTE and the EPRLF.

The year 1983 can be regarded as a psychological turning point in the ethnic crisis. The brutal anti-Tamil riots of July in Colombo and other towns, and the government's apparent lack of concern for Tamil safety and welfare seemed to rule out a peaceful resolution of differences between Tamils and Sinhalese. The riots were touched off by the July 23 killing of thirteen Sinhalese soldiers by LTTE guerrillas on the Jaffna Peninsula. According to Tambiah, the mutilated corpses were brought to Colombo by their comrades and displayed at a cemetery as an example of the Tigers' barbarism. In an explosion of rage, local Sinhalese began attacks on Tamils and their property that spread out from Colombo District to other

districts and resulted in at least 400 casualties (the official figure) and perhaps as many as 2,000 (an estimate by Tamil sources). Fifty-three Tamil prisoners were killed under questionable circumstances at the Welikade Prison outside Colombo. Damage to property, including Tamil-owned shops and factories, was initially estimated at the equivalent of US\$150 million, probably a low figure.

The authorities, seemingly paralyzed during the bloody days of July 24 to July 31, did little or nothing to protect the victims of mob violence. Curfews were not enforced by security personnel even though they were required under a nationwide state of emergency in effect since the May by-elections. Jayewardene withdrew to his presidential residence, heavily guarded by government troops, and issued a statement after the riots that "the time has come to accede to the clamor and the national respect of the Sinhala People," that expressed little sympathy for the sufferings of the Tamils.

There was ample evidence, reported in the Indian and Western media, that the violence was more a carefully planned program than a totally spontaneous expression of popular indignation. According to a report in the New Delhi publication, *India Today*, "the mobs were armed with voters' lists, and detailed addresses of every Tamil-owned shop, house, or factory, and their attacks were very precise." Other sources mentioned the central role played by Minister of Industry and Scientific Affairs Cyril Mathew in providing personnel for the violence and the ease with which the mobs found transportation, including government vehicles, to move from place to place.

According to political scientist James Manor, the eagerness of powerful politicians such as Mathew to stir up ethnic trouble stemmed at least in part from factional struggles within the ruling UNP. Mathew reportedly used the riots to compromise the aging and seemingly indecisive Jayewardene and undermine support for the chief executive's all-but-designated successor, Prime Minister Ranasinghe Premadasa. According to *India Today* reporting in August 1983, five UNP factional groups, including Mathew's and Premadasa's, competed for influence. With deep reservoirs of anti-Tamil sentiment among poorer Sinhalese to draw upon, Mathew could not be ignored in any post-Jayewardene political arrangement within the UNP. His schemes, however, ultimately backfired. In December 1984, Mathew was obliged to resign from the cabinet for opposing negotiations between the government and the Tamils on regional autonomy, and he subsequently faced expulsion from the party.

The 1983 violence had a caste as well as ethnic dimension. Mathew was a leader of the Vahumpura caste. This group has a

lower status than the politically dominant Goyigama caste but comprises more than one-third of the Sinhalese population. Traditionally, Vahumpura occupations included the making of jaggery (brown sugar derived from palm sap) and domestic service in higher caste households. Nevertheless, they trace their descent from the attendants of Mahinda, the brother or son of the Indian emperor Asoka, who came to Sri Lanka as a Buddhist missionary in the third century B.C. and thus claimed an esteemed status among Sinhalese Buddhists. The Vahumpura also had been actively involved in commerce, but in the 1970s and early 1980s they were forced out of the business by their Sinhalese Karava and Tamil competitors. The resultant decline in their fortunes was a source of much resentment toward the other groups.

Some observers speculated that the LTTE had moderated to a slight degree its attacks against government forces in the north, because of the presence of Tamil "hostages" in Colombo and other Sinhalese-majority urban areas, but that the July 1983 riots removed such inhibitions. The vicious cycle of violence intensified as attacks by the LTTE and other groups against troops brought harsh retaliation against Tamil civilians, especially in the Jaffna Peninsula. Reports issued by Amnesty International, the London-based human rights group, told of random seizures, tortures, and executions of hundreds of young Tamil men by the armed forces in Northern and Eastern provinces. These actions forced the great majority of Sri Lankan Tamils, whatever their point of view on the goals or methods of the guerrillas, into the arms of the extremists. In the words of one observer, the Tamil population in the north was "visibly afraid of the Tigers, but they disliked the [Sri Lankan] Army even more." As the civil war intensified, government troops were besieged inside the seventeenth-century Jaffna Fort, and most areas of Jaffna City and the surrounding countryside were under Tiger control. The government ordered serial bombings of the city. Thousands of Tamils sought refuge from government attacks across the Palk Strait in India's Tamil Nadu State. As indignation among Tamils in India grew over the atrocities, Colombo was filled with rumors of an impending Indian invasion that would have resulted in a permanent division of the island.

The 1984 All Party Conference

In January 1984, the Jayewardene government convened an All Party Conference to seek a resolution of the communal issue. Participants included the UNP, the SLFP, the TULF, and five smaller groups. The major issue under discussion was devolution. The government proposed the granting of autonomy to the country's

districts through the creation of district councils and other changes in local government. Also, the government proposed establishment of a second house of Parliament, a council of state, whose members would include the chairmen and vice chairmen of the district councils and which would have both legislative and advisory roles. The Tamil spokesmen rejected these proposals. One reason was that they did not allow for special links between Northern and Eastern provinces. No compromise was reached and the conference broke up on December 21, 1984 and was not resumed, as had been planned, in 1985. Even if the All Party Conference had reached an agreement on devolution, it was unlikely that it could have been implemented because the SLFP and the Mahajana Eksath Peramuna had withdrawn from the negotiations. The proposals also were denounced by militant Sinhalese groups, such as politically active Buddhist monks, who viewed them as a sellout to the Tamils.

India's Perspective

By the close of 1984, it was becoming clear that the parties within Sri Lanka were incapable of reaching a workable compromise on their own. The new Congress (I), I for Indira Gandhi, government of Rajiv Gandhi in India assumed an active mediation role at the request of the government of Sri Lanka. Gandhi's own interest in containing the ethnic crisis was self-evident. Thousands of Sri Lankan Tamil refugees were fleeing to Tamil Nadu State, which was also a sanctuary for most of the militant groups and the now disenfranchised TULF (the number of Tamil refugees was more than 100,000 in early 1987). Local politicians, particularly Tamil Nadu's chief minister, M.G. Ramachandran, demanded initiatives on the part of New Delhi to halt the violence. Ramachandran's AIADMK was one of the few southern regional parties friendly to Gandhi's Congress (I). An appearance of insensitivity to Tamil suffering on the part of New Delhi might cost it the support of the AIADMK or strengthen the hand of the Dravida Munnetra Kazhagam, the state's major opposition party.

At the same time, Gandhi, whose predecessor as prime minister (his mother) had been assassinated by Sikh extremists on October 31, 1984, had no desire to encourage separatist forces within his own ethnically and religiously divided country by sponsoring separatist sentiments in Sri Lanka. New Delhi wished to rein in the Tigers without appearing to be too enthusiastic a backer of Jayewardene's government.

A third problem for Gandhi was strategic. As the ethnic crisis deepened, the Jayewardene government sought increasing military



*Parliament, Colombo
Courtesy Doranne Jacobson*

aid from countries of which India was suspicious or which seemed to challenge New Delhi's primacy in the Indian Ocean region. China, Britain, the Federal Republic of Germany (West Germany), and South Africa supplied Sri Lanka with arms. Israel operated a special interest section in the United States Embassy in Colombo, and Israeli experts provided training in counterinsurgency and land settlement strategies. Retired members of Britain's Special Air Service also trained Sri Lankan military personnel. India also feared that the United States naval forces might establish an Indian Ocean base at the strategic port of Trincomalee ("another Diego Garcia" charged India). The most ominous foreign presence, however, was Pakistan's. In March–April 1985, Jayewardene made an official visit to Islamabad to confer with President Mohammed Zia ul Haq and other top Pakistani officials. According to Indian sources, Sri Lankan forces were trained by Pakistani advisers both in Sri Lanka and Pakistan. Gandhi, like his mother before him, referred to Sri Lanka's inclusion within a "Washington-Islamabad-Beijing axis."

The Eastern Province Question

Indian pressure was apparently a major factor in persuading the four major guerrilla groups included within the Eelam National Liberation Front (the LTTE, TELO, EROS, and EPRLF) and the Tamil political party, TULF, to hold talks with a government

delegation headed by the president's brother, Hector Jayewardene. The meetings were convened in July and August 1985 in Thimpu, capital of Bhutan. Jayewardene advanced a proposal involving, as in the 1984 All Party Conference, the granting of autonomy to district councils. He also proposed the creation of a separate legislature for the Tamil-majority northern region of the island. The Tamil groups made four demands: recognition of the Tamils as a distinct national group, the creation of a Tamil state (Eelam) from Northern and Eastern provinces, the right of self-determination for the Tamil "nation," and full citizenship rights for all Tamils resident in Sri Lanka. The government rejected the first three on the grounds that they amounted to separatism, which was prohibited by the Constitution and the talks broke off abruptly on August 18, 1985, when Tamil delegates accused the armed forces of continuing to perpetrate atrocities against Tamil civilians. The fourth demand, for granting Sri Lankan citizenship to 96,000 Indian Tamils, was met in January 1986.

In December 1985, TULF broke ranks with the militants and announced support for a Tamil-majority federal state remaining within Sri Lanka with the devolution of substantial executive, legislative, and judicial powers. The government, however, objected to the controversial joining of Eastern Province with Northern Province in the proposed federal unit. Although Northern Province clearly had a Tamil majority and limited economic potential, the position in Eastern Province was ambiguous: 58 percent of its population was either Sinhalese or Muslim. Although Eastern Province Muslims spoke Tamil, the great majority were descended from Arab settlers. Also, Eastern Province contained large areas of fertile and economically exploitable land and the strategic port of Trincomalee. Although a second All Party Conference was held in June 1986, neither TULF nor the militants participated. Talks in Colombo between TULF and the government were snagged on the issue of the status of Eastern Province.

The Eastern Province issue brought the Muslims into the negotiations not only because they viewed themselves as a community quite separate from both the Tamils and Sinhalese but also because there had been communal violence involving Tamils and Muslims in Eastern Province during the 1980s, and the latter were not enthusiastic about being included in a separate, Tamil-dominated state. According to the leader of the Sri Lanka Muslim Congress, M. Ashraff, "we are a community being oppressed both by the Sinhalese and the Tamils." Some younger Muslims expressed sympathy for the LTTE, but the leadership of the community wanted

the government to grant them some kind of autonomous status separate from any settlement with the Tamils.

By late 1986, Jayewardene's government found itself tied down by conflicting communal interests that included not only the Sri Lankan Tamils and Muslims but Sinhalese who rallied behind the nationalist appeal of Sirimavo Bandaranaike's Movement for Defense of the Nation. Against a background of unremitting violence that included bloody Tamil terrorist bombings in Colombo, the status of Eastern Province remained a major stumbling block. Given the stalemate, India's participation loomed larger in any formula that had a chance of achieving peace.

In November 1986, Sri Lankan and Indian leaders conferred at the annual summit meeting of the South Asian Association for Regional Cooperation (SAARC) in Bangalore, India. They outlined a settlement that included provincial councils for Northern and Eastern provinces and special provisions for Eastern Province that would entail the establishment of local councils for Sinhalese in Trincomalee, Tamils in Batticaloa District, and Muslims in the southern district of Amparai. This arrangement was scrapped in the face of Tamil opposition. On December 17-19, 1986, President Jayewardene met cabinet-level Indian officials in Colombo and agreed to another set of proposals, described as a "beginning point for further negotiations," which conceded the possible merger of Northern and Eastern provinces and the joining of Sinhalese-majority areas of Amparai District to the inland province of Uva. This proposal, too, was scrapped, because of the objections of Amparai Muslims.

By early 1987, India had grown impatient with the lack of progress on an accord and threatened to end its mediating role. A still more serious problem was the apparent determination of the Sri Lankan government to use military means to solve the crisis. In late May, a large-scale offensive, dubbed Operation Liberation, was launched against the LTTE in the Jaffna Peninsula. The offensive caused considerable hardship among local civilians. Indian efforts to bring relief supplies by boat were rebuffed by the Sri Lankan Navy on June 3, 1987, but an airdrop of supplies by the Indian Air Force took place the next day. Sri Lanka labelled this action a "naked violation" of its territorial integrity.

By July 1987, however, Jayewardene—wary of the bloodletting and sincere in his desire for a peaceful solution—and Prime Minister Gandhi, perceiving that he could not afford an indefinite prolongation of the crisis, had groped to within reach of a viable accord. In a July 1 letter, Gandhi urged Jayewardene to come up with some "new ideas" on a settlement. On July 16, Jayewardene, his cabinet,

and the Indian high commissioner in Colombo, Jyotindra Nath Dixit, conferred on an "improved version" of the December 19, 1986, proposals which were sent two days later to New Delhi and subsequently formed the basis for the July 29, 1987, Indo-Sri Lankan Accord.

The major task for Gandhi, acting as middleman, was to draw the Tamil militants into the settlement. On July 28, after a last minute meeting with the Indian prime minister, LTTE leader Prabhakaran announced his support for the accord. In an interview with *India Today*, he reconciled this decision with the long-standing LTTE demand for an independent state by citing the accord's recognition of the Northern and Eastern provinces' status as places of "historical habitation of Tamil-speaking people." But Prabhakaran also noted that he had not been a party to the accord and doubted that it would bring lasting peace. The four other major guerilla groups also gave their backing to the pact on July 28, though they expressed concern about its "deficiencies."

On July 30, 1987, Gandhi arrived in Colombo to sign a comprehensive settlement that had, as its main points the turn in of weapons by militant groups, a merger of Northern and Eastern provinces to create a single administrative unit; nationwide elections for eight (instead of the former nine) provincial councils before December 31, 1987 (not held until 1988); recognition of both Tamil and English as official (rather than national) languages on an equal status with Sinhala; amnesty for Tamil guerrillas and detainees; a cease-fire; return of Sri Lankan security forces to their barracks; the disbanding of Sinhalese militia units (who had acquired a reputation of viciousness toward Tamil civilians); and a referendum for Eastern Province, originally scheduled for December 31, 1988 but postponed until January 1990, to decide whether the merger of Northern and Eastern provinces should be permanent. India agreed to assist implementation of the accord by posting a peacekeeping force in the northern part of Sri Lanka (subsequently known as the Indian Peacekeeping Force) and helping to oversee the surrender of arms by Tamil militants, to be accomplished by August 3, 1987 (see *Foreign Military Presence*, ch. 5). New Delhi would also oblige Tamil militants to abandon their bases in Tamil Nadu State and assist the Sri Lankan Navy in patrolling the waters of the Palk Strait.

Rather predictably, the accord sparked the ire of the Sinhalese population. Gandhi was physically attacked by a rifle-wielding sailor while reviewing an honor guard in Colombo on July 30. Demonstrations against the accord in Colombo and other places resulted in nearly forty deaths. At the same time, the pact caused a cabinet

crisis. Several factions within the UNP opposed the merger of Northern and Eastern provinces and the alleged surrender of Sri Lankan independence to India. The opponents included Prime Minister Ramasinghe Premadasa, Minister of Defense and National Security Lalith Athulathmudali, and several other cabinet members. Premadasa signalled his displeasure by not attending the official functions held for Gandhi in Colombo on July 29 and 30. As the fighting in the north subsided following the cease-fire, however, so did the cabinet crisis.

Optimism over the accord soon turned to disappointment when the LTTE refused to turn in its weapons and hostilities flared up again, this time between the LTTE and the Indian Peacekeeping Force. By October 1987, approximately 20,000 Indian troops were engaged in pitched battles with between 2,000 and 3,000 LTTE guerrillas. The fighting represented a major loss of face for New Delhi. India had promised Sri Lanka that the Tigers would be completely disarmed, but it was apparent that the militants had surrendered only a fraction of their arsenal in August. In the face of mounting Indian military and Tamil civilian casualties, pessimists on the subcontinent speculated whether the accord signalled the beginning of India's "Vietnam" or "Afghanistan." In Colombo, SLFP leader Anura Bandaranaike declared that "the Indian Army is like the Trojan Horse. We accepted them and expected them to bring peace, and they then started watching as our people were butchered They have come here to stay. They won't take the President's orders."

Jayewardene, who survived a grenade attack in the Parliament building on August 18, 1987, was faced with the daunting task of obtaining the legislature's approval of the radical political changes outlined in the July 29 accord. Provincial autonomy was embodied in the Thirteenth Amendment to the 1978 Constitution, which the Supreme Court, in a five to four ruling, declared would not need to be submitted to a popular referendum if minor changes were made. Against the background of the JVP-instigated terrorist attacks in Sinhalese-majority areas and assassination threats against members of Parliament who approved the amendment, it was passed by 136 to 11, or substantially more than the required two-thirds majority. Few observers believed, however, that the establishment of new provincial political institutions would bring lasting peace to this strife-torn country.

Foreign Relations

The two most important factors in Sri Lanka's foreign relations since 1948 have been a commitment in principle to nonalignment

and the necessity of preserving satisfactory relations with India without sacrificing independence. India had almost fifty times Sri Lanka's land area and population and forty times its gross national product in the late 1980s. Its point of view could not be ignored, but neither the country's political leaders nor the person in the street (especially if he or she were Sinhalese) wanted the island to become an appendage to India's regional power ambitions. The July 29, 1987, Indo-Sri Lankan Accord and the involvement of a large number of Indian troops in the northeast, however, seemed to many if not most Sri Lankans to be an unacceptable compromise of national independence.

Sri Lanka's first prime minister, Don Stephen Senanayake, had committed the country to a "middle path" of nonalignment to avoid entanglement in superpower rivalries (see Independence, ch. 1). But nonalignment has had its modulations in the decades since independence. UNP governments were generally friendlier to the West than those formed by the left-leaning SLFP. Sirimavo Bandaranaike deeply distrusted Washington's intentions and cultivated close and friendly relations with China in the early 1960s, a time when that country was vocally committed to the worldwide export of "wars of national liberation." Jayewardene gave Sri Lanka's foreign policy a decidedly Western orientation after he came to power in July 1977. This change was motivated largely by the desire to secure aid and investment in order to promote his government's economic liberalization program. At the same time, Sri Lanka shared with Western nations apprehensions concerning India's apparent determination to make the Indian Ocean region an Indian sphere of influence and its preservation of close ties with Moscow.

Although the 1972 constitution declared the nation a republic and ended its dominion status within the Commonwealth of Nations, Sri Lanka, like India, remained a Commonwealth member in the later 1980s. The country also belonged, like other South Asian states, to the seven-member South Asian Association for Regional Cooperation (SAARC), a group formed in the early 1980s to deliberate on regional problems. SAARC provided a context in which South Asian states other than India could discuss the Sri Lankan ethnic issue. But few observers regarded SAARC's role in any resolution of the crisis as anything more than peripheral. Some observers interpreted Sri Lanka's unsuccessful bid in 1982 to gain membership in the Association of Southeast Asian Nations (ASEAN) as an attempt to put a little comfortable distance between itself and India. The application was rejected, ostensibly on geographic grounds.

Relations with Western States

Ties with the United States in the late 1980s were based on a common democratic tradition, a mutual appreciation of the virtues of economic liberalization and market-oriented reforms, United States participation in major development projects such as the Accelerated Mahaweli Ganga Program, and seemingly convergent security interests in the Indian Ocean. The existence of a Voice of America relay facility on the island, used to transmit broadcasts within the South Asia region, was part of Washington-Colombo ties.

Large numbers of educated Sri Lankans, both Sinhalese and Tamil, lived in the United States, Britain, and Western Europe during the 1970s and 1980s. Overseas Tamils played a role in publicizing the plight of their countrymen in host country media and provided the militant movement with some financial support. An increasing number of Western countries expressed criticism of human rights violations by the government. For example, Norway halted all aid to Sri Lankan government bodies in June 1987 to protest abuses. The plight of Tamil refugees was highlighted in August 1986 when two lifeboats carrying 155 Sri Lankan Tamils were rescued off the coast of Newfoundland, Canada. It appeared that the Tamils had fled West Germany after being denied refugee status by the Bonn government and had been cast adrift from a West German-owned freighter (the Canadian government gave them one-year work permits and promised to consider applications for refugee status). At the same time, the fund-raising activities of many sympathizers in the West, including refugees, were not entirely within legal bounds. In January 1986, the Swiss government arrested seventy Tamil refugees on charges of selling heroin.

The Indo-Sri Lankan Accord and Foreign Relations

In an exchange of executive letters coinciding with the July 29, 1987, accord, President Jayewardene gave assurances to Gandhi that the port of Trincomalee would not be used by foreign powers, including the United States, and that agreements with the United States to upgrade the Voice of America facility and with Israel and Pakistan to provide military security would be reconsidered.

Indications in early 1988 were that although New Delhi wanted to avoid accusations that it was turning a formerly independent country into a client state, India was determined to prevent Sri Lanka from developing closer ties with unfriendly or potentially unfriendly foreign powers, such as Pakistan, Israel, and the United States. The *India Today* correspondent quoted a senior Indian military officer as asserting that "Pakistan's military involvement

in Sri Lanka ended on July 29, 1987.” But other observers wondered whether India, by cutting the Gordian knot of the Sri Lankan ethnic crisis and hoping at the same time to thwart Pakistan’s ambitions, was finally exercising its full potential as one of the world’s major nations or was being drawn into a military nightmare that would bring costs in men and money but few rewards.

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S.J. Tambiah’s *Sri Lanka: Ethnic Fratricide and The Dismantling of a Democracy* gives a critical account of both the ideological and socioeconomic bases of the ethnic crisis and forcefully argues that the Sinhalese-majority government bears a major responsibility for the violence and for the erosion of democratic institutions. A book by Craig Baxter et al., *Government and Politics in South Asia*, provides a detached but useful overview of Sri Lankan society, political dynamics, and governmental institutions. Janice Jiggins’s *Caste and Family in the Politics of the Sinhalese, 1947-1976* provides analysis of the pre-Jayewardene era, giving an excellent description of the often neglected factor of caste in politics. On the evolution of political institutions and attitudes from the very earliest times to the 1970s, see K.M. de Silva’s *A History of Sri Lanka*.

The biweekly *India Today* and the weekly *Far Eastern Economic Review* provide good coverage of the latest political developments. Articles on Sri Lanka are also frequently published in *Asian Survey*, *Pacific Affairs*, and journals covering comparative politics, such as the *Political Science Quarterly*. (For further information and complete citations, see Bibliography.)